FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,534 Tuesday May 10 1988 D 8523 A

Uruguay: Going fishing for trouble, Page 8

World News

Angola talks to resume in Congo this week

South African Foreign Minister Pik Botha will hold bilateral talks with Angola in Brazzaville, the Congo capital, this week as part of continuing efforts to end the war in Angola and bring independence to Namibia, it was disclosed in Cape Town.

The move came less than a week after the first round of talks between US, South African, Cuban and Angolan officials in London. Page 26

Syria warns Shias it may intervene

Syria warned rival Shia Moslem fighters battling for control of Beirut's southern suburbs that it might be forced to send its own troops to intervene if the fighting continued.

Many of the 22 foreigners missing and believed kidnapped by Moslem militants in Lebanon are thought to be held in the area of the fighting. Page 26

Soviet 'opposition' held

Soviet police detained six political dissidents involved in attempt to set up a new political party but failed to prevent a meeting to adopt its manifesto. Page 2

Golden Temple killings

Sikh separatists in the Golden Temple complex in Amritsar exchanged fire with police stationed outside the temple, killing four people and wounding at least seven, including a senior policeman. Page 6

Chinese border clash

Chinese border forces killed an undisclosed number of Vietnamese soldiers who had crossed into China and killed three farmers, the official New China News Agency said. Page 6

Iraq builds oil pipeline

Iraq was building a new pipeline that would enable it to pump oil through either Turkey or Saudi Arabia and so boost its ability to maintain exports vital to its war effort against Iran. Page 7

Panama banks reopen

Long queues formed outside banks in Panama as people waited to make limited withdrawals for the first time in more than nine weeks. Page 8

Karachi clampdown

Pakistani troops with orders to shoot curfew violators on sight patrolled Karachi to quell ethnic riots in which 32 people were killed over the weekend.

INF verification warning

Leaders of the US Senate Intelligence Committee urged the Senate not to debate the Intermediate-range Nuclear Forces treaty until serious differences between the Kremlin and White House over on-site verification had been resolved. Veto may delay ratification, Page 8

Toronto agenda change

Leading industrial states agreed to reshape the agenda of a seven-nation summit in Toronto next month in an attempt to ensure closer focus on economic issues. Page 8

Captives freed

Left-wing Colombian rebels, led by a defrocked priest, released 11 people kidnapped last week to publicize guerrilla attempts to drive out foreign oil companies.

Martens pledge

Belgian Prime Minister Wilfried Martens and his new centre-left Government were sworn into office and pledged to cut public spending and devolve more powers to the country's feuding Francophone and Flemish communities. Large Cabinet, Page 2

'Drug runners' detained

Forty-two Yugoslavs were arrested in Pristina, capital of Kosovo, accused of smuggling 100 kg of heroin to Spain over the past three years, the state news agency said.

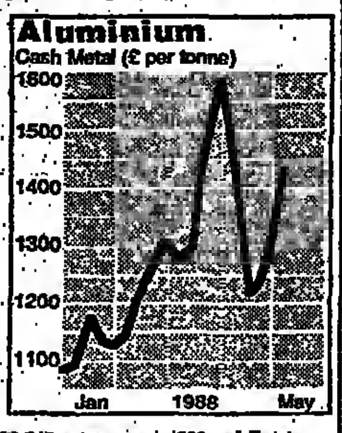
Business Summary

Spain warns of possible foreign capital curbs

SPANISH Government might soon move to control heavy inflows of foreign currency which are driving the peseta up against its main trading currencies and threatening to derail Madrid's efforts to cut interest rates, Carlos Solchaga, Finance Minister, told a Financial Times conference. Page 2

MURRAY OHIO Manufacturing, big US lawn-mower and bicycle manufacturer, rejected a $48 a share, $182m cash takeover bid by Electrolux of Sweden, world's leading white goods manufacturer, sending Murray shares soaring by $18 to $53¾. Page 27

ALUMINIUM: London Metal Exchange aluminium prices continued to gain ground until running into profit-taking at the higher levels. High grade (99.7 per cent pure) metal closed at $2,745 a tonne, up $90, while standard grade (99.5 per cent) put on £28 to £1,432.50 a tonne. Page 36



TOKYO: Uncertainty over US interest rate trends sidelined investors and share prices closed lower for the third consecutive trading day. The Nikkei average fell 223.47 to 27,264.30. Page 48

WALL STREET: The Dow Jones industrial average closed down 10.11 at 1,997.35. Page 48

LONDON: Leading exporters gave up early gains as sterling rose sharply. The FT-SE 100 ended 6.2 lower at 1,794.9 in thin trading after Wall Street's lower opening. Page 44

DOLLAR closed in New York at DM1.6812; Y124.85; SFr1.3995; FFr5.7040. It closed in London at DM1.6820 (DM1.68); Y124.80 (Y124.85); SFr1.4005 (SFr1.4015); and FFr5.7050 (FFr5.7125). Page 37

STERLING closed in New York at $1.8815. It closed in London at $1.8795 ($1.8615); DM3.1625 (DM3.1275); Y234.50 (Y232.50); SFr2.6325 (SFr2.61); and FFr10.7225 (FFr10.6350). Page 37

NIKKO SECURITIES, Japanese securities house, has appointed a woman as a member of the board of its European subsidiary, an unprecedented appointment at a Japanese institution. Page 30

VOLVO, Swedish motor, engineering and food group, and Scandinavian Airlines System, Swedish airline, are to form a jointly-owned company. Page 28

AGA, Swedish industrial gas company, agreed to acquire Liquefaction de l'Air, French family-owned gas company based in Nice. Page 28

ROBERT CAMPEAU'S ambitious $6.4bn acquisition of Federated Department Stores, large US department store chain, has run into difficulty less than a week after he formally gained control with the unexpected resignation of Robert Morosky, president of Campeau Corporation's Allied Stores division. Page 27

BURT SUGARMAN, Hollywood-based industrialist and television producer, increased his offer for Media General from $61.50 to $70 a share, valuing the newspaper and broadcasting group at about $2bn. Page 27

COMPAGNIE Financière de Suez, French financial group, announced fund raising operations totalling about FFr5bn ($875.7m) to complete the cost of its acquisition of a FFr6.8bn stake in Société Générale de Belgique and reinforce its capital assets. Page 27

White House throws the book at Regan's memoirs

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

"I THINK THIS book is going to help the Reagan Administration," Mr Donald Regan, the former White House Chief of Staff, said yesterday about his memoirs.

It was a judgment that the White House clearly did not share. As the furore over Mr Regan's revelations about the role Mrs Nancy Reagan and her astrologer played in the Reagan presidency broke on the front pages of the American newspapers, the White House statement was tart: "Vindictiveness and revenge are not admirable qualities and are not worthy of comment. Donald Regan's attempts to defame the First Lady on Mother's Day, no less, are certainly in that category."

The book is Mr Regan's assessment of the significance of the six years he spent in the Reagan Administration, first as Treasury Secretary, then as Mr Reagan's Chief of Staff, after leaving a top job at Wall Street securities firm Merrill Lynch. Its motive is primarily to refute the charge that it was Mr Regan's stewardship of the White House which helped to turn the Iran-Contra affair into a political disaster.

Mr Regan blames Mrs Reagan for getting him "fired like a shoe clerk" from his White House job in February 1987 as the Reagan presidency was rocked by the Iran-Contra scandal. He describes Mrs Reagan's role as "a shadowy distaff presidency" in a White House in which the President is once again portrayed as usually a passive bystander rubber stamping decisions reached by his staff. "It was a rare meeting in which (the President) made a decision or issued orders," he writes.

Mr Regan refutes the charge in the Tower Report into the Iran-Contra affair that he was the man "who must bear primary responsibility for the chaos that descended on the White House" at the time. Mr Regan maintains he was ignorant of the evolution of the early decisions which led up to the arms for hostages swaps.

Moreover, he claims his efforts to deal with the crisis when the story broke were frustrated by Mrs Reagan and her "friend," a 60 year old San Francisco heiress who describes herself as a political astrologer.

Mrs Reagan allegedly depended on her for advice about when the President should travel, make speeches or hold press conferences.

The man who is certain to be damaged by Mr Regan's vitriol is Vice President George Bush, the person who brought the news to Mr Regan that he was being fired.

The strongest plank supporting Mr Bush's candidacy has been the Reagan record. Mr Regan's book will be added to Mr Bush's uncertain role in the Iran affair, the continuing controversy about Attorney General Edwin Meese's ethical standards and the questions being raised over Mr Bush's knowledge about Panamanian strong man General Manuel Noriega's drug trafficking to make that plank begin to creak a little.


Regan: Refutes Contra charges

Fuji Bank's role in US bond venture limited

By David Lascelles in London

KLEINWORT BENSON, the UK merchant bank, and Fuji Bank, Japan's third largest bank, are completing plans for a joint dealership in the US Treasury bond market.

However, Fuji Bank's participation is being kept to 24.9 per cent to avoid friction between the US and Japan just as President Ronald Reagan and Congress prepare to do battle over the Trade Bill.

The bill, which Mr Reagan has threatened to veto, carries an amendment to stop foreign institutions entering the Treasury market as primary dealers unless their country gives reciprocal access to US banks and brokerage houses. The amendment was tabled in response to mounting concern over the number of Japanese dealers who were receiving recognition from the Federal Reserve at a time when US houses were having difficulty getting into Japan. So far, four have been recognised, and two applications are pending.

Primary dealers have official status in the market, acting as buyers and distributors of new issues of Treasury bonds and notes. As such they play a key role in the financing of the US budget deficit.

The Federal Reserve Bank of New York, which regulates the US Treasury market, is understood to have made clear the political sensitivities of the Kleinwort-Fuji deal to the two partners, and to have suggested that Fuji play a minority role.

Kleinwort Benson already owns a primary Treasury dealer: Chicago-based Kleinwort Benson Government Securities which it bought in 1984. The intention is that Fuji will contribute additional capital to the company and bring it new sources of business.

KBGS ranks about 20th in size among the Treasury market's 42 dealers, and Kleinwort is keen to move it into the top dozen where the bulk of the market's business is concentrated. The company, which is capitalised at $23m, made a small loss last year but is said to be operating profitably.

Stefan Wagstyl adds from Tokyo: Yamaichi Securities is also having problems gaining access to the US Treasury market. Yamaichi, which has built a US government bond dealing operation from scratch and has

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Japanese gilts marketmakers banned from London, Page 26

Mitterrand's victory deepens divisions in right-wing opposition

BY IAN DAVIDSON IN PARIS

THE SPLITS in France's parliamentary right wing deepened yesterday in the wake of President Francois Mitterrand's triumphant re-election on Sunday.

The neo-Gaullist RPR party of outgoing Prime Minister Jacques Chirac has taken a stand in outright opposition to President Mitterrand, while the centre-right UDF grouping is offering the possibility of case-by-case co-operation with a new centre-left government.

Mr Mitterrand, meanwhile, was expected to move quickly to appoint a new Prime Minister following Sunday's poll. Most speculation continued to focus on Mr Michel Rocard, former Agriculture Minister, as the most likely candidate.

Doubts remained over when precisely Mr Chirac, the defeated challenger for the presidency, would leave the Hotel Matignon, the premier's residence. But yesterday evening, Mr Denis Baudouin, Mr Chirac's spokesman, said he had asked for an appointment this afternoon at the Elysee to hand over his resignation.

Both Mr Chirac and Mr Mitterrand yesterday appeared to be making the issue a point of vanity. Mr Chirac's entourage let it be known that he would resign as soon as requested to do so by Mr Mitterrand, without necessarily waiting for the official declaration of the result of the election by the Constitutional Council. The President's entourage let it be known that Mr Mitterrand did not intend to ask for the resignation of Mr Chirac, but expected him to offer it spontaneously.

Mr Mitterrand indicated repeatedly during the campaign that he would seek to form a centre-left government which could work with the existing National Assembly, without automatically calling fresh general elections. Leaders of France's UDF centre-right parliamentary group yesterday went half-way to meet the President, when they decided to take a pragmatic approach towards his new government.

After a plenary meeting of the UDF leaders, Mr Jean Lecanuet, its president, announced that the parliamentary group would judge the re-elected president and the new government by their acts.

"The UDF will assess any laws which are put forward, and will not take an a prior decision to censure the Government," he said.

Some of the leading figures in the UDF had already gone much further in envisaging possible co-operation with a centre-left government. Mrs Simone Veil, a former minister under President Giscard d'Estaing, said on Sunday night: "There are no objections of principle to governing with the Socialists."

Since the UDF includes almost a quarter of the members of the National Assembly, yesterday's decision may give President Mitterrand some conditional freedom of manoeuvre. Many political observers believe, however, that Mr Mitterrand will need to call general elections if he is to form a reliable parliamentary majority, and that he may need to call elections very soon if he is to keep the momentum of victory.

Most French voters want early elections, according to polls carried out on Sunday night.

Lex, Page 26; Bond dealers pin hopes on Rocard, Page 30

Polish strikers determined to continue sit-in

BY CHRISTOPHER BOBINSKI IN GDANSK

STRIKERS AT the Gdansk Lenin shipyard, the Solidarity trade union's birthplace in 1980, yesterday made it abundantly clear that they were determined to hold out until riot police came in to get them. They chanted "We shall win" and "There can be no freedom without Solidarity".

The determined mood of the strikers, mainly men in their early 20s who were still at school when Solidarity was in its heyday, was much encouraged yesterday, as the strike entered its second week, by news of labour unrest in their support at the Ursus tractor factory near Warsaw.

Workers said that work in three departments of the factory halted pending a reply by management to six demands presented by a strike delegation. They added that the departments employed 6,000 of the plant's 15,000 workers. Mr Jerzy Urban, the government spokesman, maintained that all departments were working normally and that only 70 workers were occupying a canteen after presenting economic demands.

As the day wore on in Gdansk, Mr Lech Walesa, concerned that numbers in the yard – estimated at 700 – could fall, emerged from time to time from the management diningroom, which he is occupying with his advisers, to raise the spirits of strikers. At 2 pm he held a 30-minute rally in the main works canteen, where the occupiers sleep, eat and sit talking or playing cards, and told them to beware of the "psychological war" the authorities were now waging.

It was unlikely riot police would use force, he said, but they were trying to wear the strikers down so that they slipped away in ones and twos. "I don't want to be left in here with just a few people, so they can take photographs and make fun of me," he said.

Outside, groups of strikers in blue overalls manned the shipyard gates beflagged with Solidarity slogans. Others lay on the grass in the warm spring weather inside the largely empty and calm shipyard, which management is warning might have to close as a result of the strike.

While most entrances have been closed off by police, food, messages and Western reporters have been coming in and out through back ways known to teenaged guides. Not all the routes, however, are foolproof. Yesterday a group of Western reporters, including this one, were caught by police, who confiscated films and notes and held them for three hours, warning that there would be "consequences" if they entered the shipyard again.

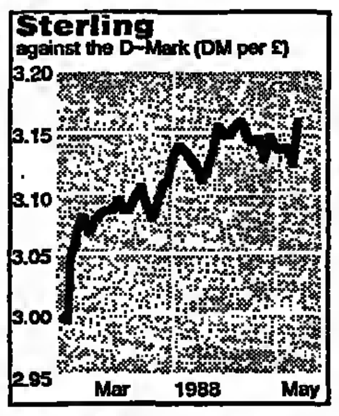
Mr Walesa's tactics seem to be to get the best possible wage conditions from the management, guarantees of safe conduct for the strikers, and some measure of recognition of Solidarity's claim to a legal existence, to enable him to declare the stoppage a victory.

UK fails to halt rise of pound

BY SIMON HOLBERTON IN LONDON

THE POUND rose sharply in foreign exchange markets yesterday despite two attempts by the Bank of England to stem the currency's advance.

At the close in London sterling was 3¼ pfennigs and 1½ cents higher at DM3.1625 and $1.8795 than its Friday closing levels. In New York it closed at $1.8815 compared with $1.8610 on Friday. The Bank's trade-weighted sterling index stood at 78.5, its highest level since January 1986.



The currency's rise was partly due to technical factors and partly to do with a bullish assessment of the pound by Goldman Sachs, the US securities house. The surge in sterling, however, served to underline the UK Government's current dilemma over policy.

Officials openly admitted that they would prefer to see interest rates higher and the pound weaker than its current level. They believed that UK industry was not uncompetitive at current exchange rates but saw no advantage for industry in an even higher pound.

Domestic economic indicators published yesterday pointed in the direction of higher interest rates but exchange markets, which have been starved of any interest in the dollar have switched their attention to the "high yielding" currencies, like the pound, and have made such a move difficult.

Even with interest rates at their current level of 8 per cent the pound represents a better short-term investment than the D-Mark, the Swiss franc or the dollar.

Yesterday's release of revisions to the March retail sales and figures for new credit continued to show an economy where demand

Industry costs up sharply as sales and credit also rise, Page 12

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1992 'will mean bigger groups'

BY PETER MONTAGNON, WORLD TRADE EDITOR, IN LONDON

THE UNIFIED internal market planned by the European Community for 1992 could lead to a radical change in the corporate shape of Europe, Lord Cockfield, the EC Commissioner responsible for the internal market, said in London yesterday.

He said at the launch of an EC study on the economic benefits of the single market that companies would become larger and more specialised as they concentrated primarily on an integrated market of 320m people rather than their own national marketplace.

The evidence suggested that the biggest losers from the fragmentation of Europe had been small and medium-sized companies, but "in many areas you will have fewer and larger companies. They will tend to be more horizontal than vertical," he said.

Lord Cockfield said that the study, based on 6,000 pages of evidence accumulated by a team led by Mr Paolo Cecchini, special adviser to the EC Commission, proved the case for the single market "right up to the hilt."

The study argues that adoption of the single market would increase EC gross domestic product by 5 per cent, create 2m jobs and reduce prices by 6 per cent as well as improving the Community's trade balance and reducing public-sector borrowing.

Further benefits would be gained if, in addition, "appropriate economic policies" were adopted by member states.

Lord Cockfield said that it was wrong to assume that the benefits would be concentrated in the industrial north of the community or that they would simply be exploited by companies from the US and Japan.

Ahead of the launch of the single market, inward investment to Portugal and Spain was running at all-time record levels. Meanwhile, European companies should not assume that they were inferior to their US and Japanese counterparts.

The EC had not yet developed

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Impact of changes, Page 2; Editorial comment, Page 24

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ELECTION THAT MAY CHANGE THE DESTINY OF DENMARK

Svend Auken, the Social Democratic Party leader, whose tone does not please Nato loyalists, Page 26

EUROPEAN NEWS

Victorious SPD seeks right-wing alliances

By David Marsh in Bonn

THE West German opposition Social Democratic Party (SPD) will look for alliances with right-wing governed states to try to block government policies in the Bundesrat, the upper house of Parliament, Mr Hans-Jochen Vogel, the SPD leader, said yesterday.

Mr Vogel was speaking in the wake of the SPD's capture of the northern state (Land) of Schleswig-Holstein in Sunday's election. The landslide victory leaves the Social Democrats and Chancellor Helmut Kohl's Christian Democrats (CDU) with an equal number of seats in the Land-elected Bundesrat, which has a veto over important legislation, including tax law.

Mr Vogel, holding a celebratory press conference with a jubilant Mr Björn Engholm, the Prime Minister-designate of the state, said it would be up to people like Mr Franz Josef Strauss, the Bavarian Prime Minister, to come up with "sensible suggestions" in the Upper House capable of finding SPD support.

Mr Strauss, leader of Mr Kohl's restive coalition partner, the Christian Social Union, now carries the effective casting vote in the Bundesrat. However, Mr Kohl, at a separate press conference yesterday, played down any threat to his government of the new voting structure in the Bundesrat.

Mr Engholm meanwhile pledged a thorough examination of safety standards at the state's three nuclear power stations ahead of a move to try to close them down. This is in line with the SPD's policy of seeking closure of West German nuclear plants over the next 10 years.

Mr Engholm, who will take up office next month as the head of the first SPD-led government in the state for 38 years, promised to bring in outside experts to help boost Schleswig-Holstein's flagging fortunes. As well as a think tank to study ways of giving the state an "ecological and economic renewal", Mr Engholm said he would also be bringing in a form of concerted action between union and employers.

Mr Engholm said the SPD would pay closer attention to the needs of the electorate, who had been treated with "lack of feeling" by the previous Christian Democrat-run administration. He said the Kiel state parliament would be given greater powers to check the state government.

The Christian Democrats lost 9.3 points, to 33.3 per cent of the vote, compared with the last elections in September, failing to win a single electoral constituency, with the SPD gaining 9.6 points to 54.8 per cent.

LARGE CABINET TRIES TO ACCOMMODATE WIDE PARTY AND LINGUISTIC INTERESTS

Martens return fails to rouse Belgians

BY TIM DICKSON IN BRUSSELS

THE MOOD in Belgium was low key and far from triumphal yesterday as Mr Wilfried Martens, the country's new Premier, and 31 other ministers and secretaries of state were duly sworn in by King Baudouin.

While most diplomats and Eurocrats in Brussels took the day off to celebrate the birthday of one of the founding fathers of the European Community, Belgians were not noticeably rejoicing that their near 150-day caretaker Government had formally come to an end.

The Brussels Bourse, which earlier in the year had leapt and danced to the tune of the Italian businessman Mr Carlo de Benedetti, betrayed barely a flicker of interest in the successful formation of a new coalition and actually finished the day a shade off Friday's close. Front pages of the local newspapers seemed at least as preoccupied by the outcome of the election in neighbouring France.

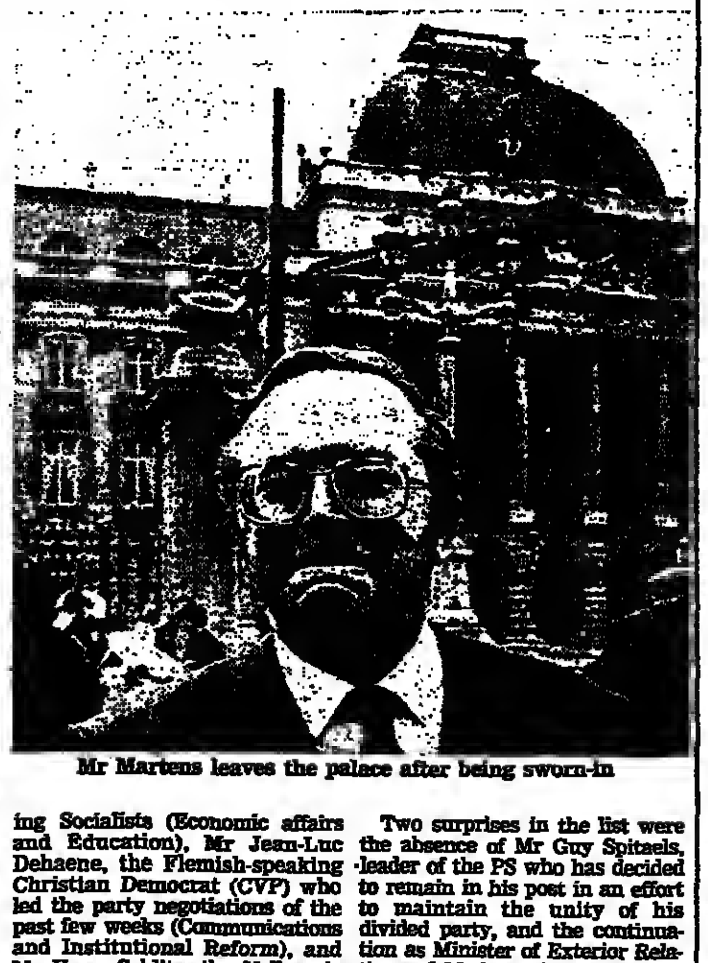
Even Mr Martens – back for the eighth time as Prime Minister after most commentators had written him off – spent much of the time at his first news conference apologetically explaining why his new cabinet is initially so large. It will shrink, he pointed out, once the promised devolution is complete and direct elections have been held for the new Council of the Brussels region.

Notwithstanding its considerable size – the consequence of having to accommodate the ambitions of five centre-left parties and to attempt to preserve the delicate linguistic balance between Flemish and Francophone – no room could be found for Mr Mark Eyskens, Finance Minister in the previous Government and a former Prime Minister in 1981. His post goes to Mr Philippe Maystadt, the former Economics Minister and a rising star of the French-speaking Christian Democrat party (PSC).

Mr Maystadt, however, had been tipped as a possible vice-Prime Minister for the PSC, but that privilege goes to Mr Melchior Wathelet, the new Minister of Justice and the Middle Classes, who has deservedly earned a name for himself as a dynamic and far sighted president of the Walloon Regional Executive.

The other vice-Prime Ministers are Mr Philippe Moureaux for the French-speaking Socialists (PS) whose portfolio includes responsibility for the Brussels region and institutional reforms, Mr Willy Claes of the Flemish-speaking Socialists (Economic affairs and Education), Mr Jean-Luc Dehaene, the Flemish-speaking Christian Democrat (CVP) who led the party negotiations of the past few weeks (Communications and Institutional Reform), and Mr Hugo Schiltz, the Volksunie representative who is Minister of the Budget and Political Science.

Two surprises in the list were the absence of Mr Guy Spitaels, leader of the PS who has decided to remain in his post in an effort to maintain the unity of his divided party, and the continuation as Minister of Exterior Relations of Mr Leo Tindemans, one of the most experienced figures in Belgian politics.


Mr Martens leaves the palace after being sworn-in

Soviet ‘opposition’ party members held

BY QUENTIN PEEL IN MOSCOW

SOVIET POLICE yesterday detained six political dissidents involved in an attempt to set up a new political party, but failed to prevent a meeting to adopt its manifesto.

They also forced participants from Soviet cities outside Moscow to return home before the end of the three-day conference, held at a variety of unofficial venues, to establish what is to be called the Democratic Union.

Some 70 people managed to meet for half an hour yesterday to adopt their manifesto, after the security police prevented them from getting to their original meeting place – the offices of the dissident journal Glasnost - in the countryside outside Moscow.

The editor of Glasnost, Mr Sergei Grigoryants, and five of his colleagues, were detained.

Further participants were reported to have been detained last night, but it was not clear if any would be charged with serious offences.

The new organisation - a political party in all but name, although the ruling Communist party is the only one recognised by the constitution - is pledged to "economic and spiritual pluralism, a multi-party system, a legal opposition press and independent trade unions," according to its founding charter.

"We define the contents of our activity as political opposition to the present order," it says.

In itself the fledgling party does not represent any serious challenge to the overwhelming authority of the Soviet regime, but it does none the less mean a political embarrassment for Mr Mikhail Gorbachev, the Soviet leader.

It clearly falls well outside those informal groups within the ruling party which may be tolerated as part of Mr Gorbachev's political and economic reforms, and amounts to a test of the "socialist pluralism" which he has called for.

● Soviet farmers attacked Mr Gorbachev's economic reforms yesterday for doing little to ease habitual shortages in food and fodder, Reuter reports from Moscow.

In letters to Pravda, the Communist party newspaper, one farmer said shops were no better stocked than before perestroika began three years ago. Another said the private farm holdings that the Kremlin wants to encourage to boost food production are being eliminated because there is no fodder for their cattle.

Ozal dodges plea for journalists

By Jim Bodgener in Ankara

TURKEY'S Prime Minister, Mr Turgut Ozal, yesterday sidestepped pleas for an amnesty for imprisoned journalists at the opening in Istanbul of the 37th General Assembly of the International Press Institute. Upwards of 46 are in jail on various sentences for their writings.

The pleas were made by Mr Peter Galliner and Mr Juan Luis Cebrian, director and chairman respectively of the IPI.

Mr Galliner asked the Premier to ensure that other restrictions on press freedom were abolished. He also urged the Government to refrain from using economic pressures in an attempt to influence publications'editorial content.

Mr Ozal met this halfway, pointing to Turkey's democratic progress coupled with its economic advancement, which he described as a rare achievement. On human rights, he invited investigation from abroad into allegations of torture.

However, he pointed out that the press had a role and responsibilities in society, as did the legislature and executive, and should not exceed it. He also called for balanced coverage, saying that the press could be used to further the interests of of its owners – a clear reference to his recent clashes with the press.

Olli Virtanen in Helsinki reports on a change in a policy of neutrality towards Western Europe

Finland seeks entry into Council of Europe

FINLAND'S decision at the end of April to seek membership of the Council of Europe has removed one of its arguments for the uniqueness of its foreign policy.

The country's neutrality policy is now able to accommodate the membership but on the domestic front Finland will have a long way to go before its human rights laws are compatible with the Council's requirements.

As the only large West European country outside the Council of Europe (the other non-members are Andorra, Monaco, San Marino and Vatican), Finland's position has been a subject of awkward questions abroad and embarrasment at home.

Historically Finland has abstained because of the Council's original role as a "cold-war organ" with overly anxious criticism of the human rights in the Soviet bloc, as many Finnish politicians saw it.

During the past decade that argument has become less valid while, at the same time, Finland itself has taken bolder steps towards the rest of Europe.

In economic terms the trend is clear. During the 1980s Finnish companies have made dozens of acquisitions in Western Europe. The continent's share of Finland's external trade has grown. EC and Efta countries now account for two thirds of Finland's total exports.

On the political front Finland's traditional solution is the high-wire act, balancing between East and West. This was apparent when the special Efta agreement in the 1960s was balanced with a similar document with Comecon, the Soviet block trading pact.

In the case of the Council of Europe no such counter agreement was possible. But then, times have changed. Moscow itself has made inroads to Strasbourg. And Finland has been an active observer member of the Council, taking part in a number of committees.

Despite the favourable developments the decision was far from easy for the Government. The debate started just over a year ago when Finland's foremost industrialist, Mr Kari Kairamo, chief executive officer of Nokia, strongly urged the newly-formed Government to apply for the Council membership.

The timing turned out to be unfortunate. The coalition cabinet included conservative ministers for the first time after 21 years in opposition, largely because of the party's alleged anti-Soviet stance.

Led by Mr Harri Holkeri, the Prime Minister, the party's ministers were reluctant to take a step that could conceivable antagonise Moscow.

Despite growing pressure the Government announced that the situation had not changed enough to make Finland re-evaluate its stance.

Several months later President Mauno Koivisto announced that he did not see any reason why Finland should stay outside. This, apparently, speeded up the process and finally led to the decision to seek closer ties with the Council.

Finland's business community welcomes the move. At a time when companies are highly concerned about 1992, the relations with the community as a whole are vitally important. And, as one businessman noted, it would have been embarrassing if Yugoslavia, for example, were to have become a member before Finland.

> It would be embarrassing if Yugoslavia, for example, were to become a member before Finland

Even if the external obstacles are cleared Finland will have itshands full in bringing its human rights laws compatible with the Council's human rights convention. Finland's police have powers to detain suspects without a magistrate's hearing for 17 days while all other West European countries – and the Council's convention – apply to much shorter detention periods.

Equally strict are laws on compulsory military service. According to the law any Finnish man may skip conscription on ethical or religious grounds. Instead he must take compulsory public service which, at 16 months, is twice as long as military service. This is regarded as punitive and in conflict with the human rights convention.

In fact, Amnesty International has nominated one of the two Finnish "total objectors," currently serving 9-month jail sentences, for refusing public service, as Prisoner of the Month in May 1988.

Mr Matti Louekoski, the Justice Minister, agrees that Finland has "quite a task ahead" in adapting legislature to the Council's requirements. In principle Finland could join without ratifying the human rights convention but in the long run the laws have to be changed.

The fact that the Finnish human rights laws are stricter than those in other Western countries may have come as news to many Finns. With other liberal Nordic welfare-oriented countries Finland strikes one as an opposite to a police state.

Yugoslavia financial trial adjourned after bias claim

THE TRIAL of 25 Yugoslav officials involved in the country's biggest postwar financial scandal was adjourned yesterday for another day to consider a demand by the defence to dismiss the court prosecutors, AP reports from Bihac.

Both Mr Fikret Abdic, the director general of the major Agrokomerc food-processing plant, and most of the defence lawyers challenged the court's ability to stage an impartial trial.

The trial of Mr Abdic, 48, and others opened last Thursday.

They went on trial before the high court of this Bosnian town on charges of circulating uncovered promissory notes worth about $1bn.

Indictments running to hundreds of pages say the main charge against Mr Abdic and his co-defendants is the criminal offence of "counter-revolutionary threat to the social system."

In what are termed very serious circumstances, this and other charges the defendants face can carry the death sentence.

Legal experts said it was likely Mr Abdic and the others would be sentenced under less severe provisions with a maximum sentence of 20 years in jail.

The defendants are also indicted for abuse of authority to undermine the economy "under especially grave circumstances," embezzlement, illegal dealings with foreign companies and attempts to disrupt Yugoslavia's banking and financial system.

Mr Rifat Konjic, president of the court and head of the five-judge panel, adjourned the trial until today to consider the defence's demands.

Mr Konjic said yesterday that a defence request on the first day of the trial May 5 to dismiss the entire judiciary of Yugoslavia's republic of Bosnia and Herzegovina was rejected.

Mr Abdic had claimed that the court was biased.

The defence said the request was made because of plans to call "a large number" of witnesses who held or have held top posts in Bosnia or in the federal Government, the state newsagency Tanjug reported.

Mr Konjic rejected a request by Mr Abdic's lawyer that he resign.

However, he agreed to replace three judges on the panel because they convicted one of the defendants in another trial.

Madrid may act to control inflow of foreign capital

BY PETER BRUCE IN MADRID

THE SPANISH Government warned yesterday that it might move soon to choke off heavy inflows of foreign currency which are driving the peseta up against its main trading partners and which threaten to derail Madrid's efforts to cut interest rates.

Mr Carlos Solchaga, the Finance Minister, told a Financial Times conference here that he would "not be surprised" if the Government felt itself obliged to "introduce measures to destimulate the entrance of foreign short-term capital because of its high cost."

The Minister did not elaborate, but said such measures would be administrative and seemed therefore to rule out any immediate cut in interest rates. Some bankers at the conference said the Government could introduce statutory controls on short-term capital inflows.

The Madrid Government has become alarmed in recent weeks at an overshoot in its inflation targets – first-quarter price rises totalled 1.6 per cent, more than half the target for the full year – and a sharp rise in money supply in April. Foreign investment, combined with a flood of hot money, has pushed reserves up to a record $34bn.

Mr Solchaga said the Government might be forced to act unless rates in the European Monetary System (EMS), mainly the D-Mark and the French franc "modify." The peseta has been growing consistently against both currencies, leading to loud complaints from exporters.

He acknowleged that Spanish interest rates were still substantially higher than in the rest of Europe, and that cutting them could help staunch the inflow of foreign currency. But the problem was that a cut in rates, with consumer spending already growing at 25 per cent a year, could lead to the economy overheating.

Mr Mariano Rubio, Governor of the Bank of Spain, said that monetary policy could only be effective if it operated in collaboration with fiscal policy. In a thinly disguised warning to the Government he said that without such co-operation "one runs the risk that monetary policy would have to be continually more restrictive."

Mr Rubio made a strong appeal for Spain to join the EMS.

KIO defends its Spanish investment drive

BY PETER BRUCE

THE KUWAIT Investment Office yesterday defended its investment drive into Spain. Mr Fouad Jaffar, its deputy chairman and general manager, said that the $1bn spent there in the past four years had encouraged other foreign investors.

In a rare public engagement, the KIO chief executive told a conference organised by the Financial Times and the Spanish business daily, Cinco Dias, that the KIO had sold only two of the investments it had made, making profits on both, and that it was behaving like a shark in Spain.

Mr Jaffar said the KIO was investing in Spain to take advantage of structural changes in the Spanish economy, and he praised the Madrid Government's "wise recognition of the importance of foreign investment. The Government, he said, had been helpful to the KIO but had not compromised Spanish interests.

The KIO's sometimes aggressive pursuit of takeover targets has attracted criticism in Spain. Mr Jaffar said, however, that "if the KIO in Spain sometimes seems to be in a hurry - we are. We do not have the luxury of time." Spain was one of the most exciting economies in the world.

Mr Jaffar said the KIO's main affiliate in Spain, the paper manufacturer Torras Hostench, would invest more than Pta50bn (£240m) a year for the next five years and was developing strategies to expand elsewhere in European in co-operation with other producers.

In a sharp reference to the KIO's hard fought takeover of the country's biggest chemicals group, Union Explosivos Rio Tinto (ERT), he said the battle had delayed a restructuring of the Spanish chemical industry, ahead of 1992, that "may yet prove costly."

ERT and Cros, the KIO's first entry into the chemicals market, faced "daunting" problems in working together now. The "unnecessary dispute" had led to wounded pride on both sides.

He also attacked traditions in the Spanish banking system under which banks hold large stakes in industry. KIO, together with two local entrepreneurs, holds a 13 per cent stake in the country's biggest bank, Banco Central, and mr Jafar's remarks could be read as strong criticism of the bank's present leadership.

Banco Central has large industrial holdings which it is now trying to consolidate but, said the KIO chief, "a great proportion of the banks' capital is tied up in industrial holdings to the detriment of their banking business."

Mr Guillermo de la Dehesa, Secretary of State for the Economy, told the conference that the Government planned to bring in a decree soon to govern the creation of new banks. The Bank of Spain is encouraging Spaniards to set up new financial institutions, but the failure of the Rumasa banking empire five years ago has made the supervisory authorities far more cautious.

He said the decree, which could be promulgated as early as next week, would enable the authorities to examine the financial background of people wanting to establish banks and also establish principles of reciprocity with regard to countries outside the European Community.

He said, too, that the Government was working on legislation to ease restrictions on the regional growth of Spanish savings banks and on reducing bank reserve ratios.

Mr Peter Leslie, deputy chairman of Barclays Bank, which has a major presence in Spain, suggested that the unification of the European market approached in 1992, questions about national control of large banks would become more urgent.

"In the UK our Governor has said that he does not want to see the major UK banks change ownership," he told delegates. Similar controls existed in Spain but, he said, "I think we have to ask ourselves whether that could or should change after 1992, certainly with regard to the few flag bearers of the national industry."

"To accept the surrender of what has often been regarded as a matter of national sovereignty requires a considerable act of faith," he said. That might come but only after the full operation of the European Monetary System, the establishment of a European Central Bank, the existence of a common currency and, perhaps, the disappearance altogether of the national central banks.

Mr Mariano Rubio, the Spanish Central Bank Governor, also enthusiastically endorsed the creation of a European Central Bank.

"In my view," he said, the creation of an autonomous European central bank with supranational powers, would be necessary to achieve the final objective of the EC – the constitution of economic and monetary union."

Such a goal would take time, he said, because it required a degree of political integration that would not be easy to achieve.

But it was possible to contemplate the formation of a permanent European Monetary Co-operation Fund (FECOM) which would supervise the EMS. FECOM should be able to raise its own funds and thereby help recycle capital between countries experiencing either strong inflows or outflows of capital.

Until 1992, said Mr Manuel Marin, a vice president of the European Commission, Spaniards needed to make maximum use of the time available to prepare for the single market. It would be wrong to "wait and see what happens" and to try to react in the last moment.

Mr Peter Sutherland, a member of the EC Commission, said he was confident that Spain would conform to EC rules and liberalise its big tobacco and oil monopolies. Efforts being made now by the Spanish companies involved, to apply normal market principles to their operations were "very wide" because such steps "would be traumatic if they had to be accepted in one sudden step at the end of Spain's transitional period."

FT CONFERENCE
Business with Spain

Paul Betts outlines the likely new shape of the French political landscape ● **George Graham** joins celebrating foreigners in Paris

Rocard hoists the standard of social democracy again

IF, AS widely expected, Mr Michel Rocard is chosen by President Francois Mitterrand to be France's next Prime Minister, it will complete the President's conversion to a centrist form of social democracy.

Even before Mr Mitterrand's landslide victory on Sunday, the name of Mr Rocard, his eternal challenger in the Socialist party, was regularly mentioned as a possible Premier, together with that of Mr Pierre Beregovoy, the former Socialist Finance Minister, and Mr Jacques Delors, president of the European Commission.

But by Sunday night, Mr Rocard was emerging as the clear favourite. A public opinion poll published yesterday suggested that he was by far the public's most popular choice. However, whether it would represent the ultimate accolade for Mr Mitterrand's long-standing challenger, or poisoned chalice to undermine his political career remains to be seen.

In any case, whatever happens in the next few days, he will undoubtedly play a key role in pointing French politics towards the centre. Mr Rocard, for years the country's most popular Socialist leader although probably one of the most unpopular within his own party, has now remerged from the shadows. He is likely to seize on the opportunity of Mr Mitterrand's success and apparent political conversion to try to advance his ambitions of transforming the Socialist party into a modern social democratic movement.

The irony of the situation is that Mr Mitterrand has been steadily moving towards Mr Rocard's social democratic position, combining economic pragmatism and realism with what Mr Rocard likes to call "a strong sense of humanity".

Barely seven years ago, Mr Rocard, who disapproved of the left's original programme of nationalisations among several other key Socialist policies, had attacked Mr Mitterrand for his "archaic form of socialism". After maintaining a dignified political silence and adopting a technocratic approach as the Socialist Agricultural Minister, when he was especially popular in Brussels, Mr Rocard resigned from the Socialist Government in 1985 when Mr Mitterrand changed the voting system to proportional representation.

At the time Mr Rocard claimed the switch in the voting system was not only a defeatist move by the Socialists, who were already expecting to lose the 1986 legislative elections, but would also seriously weaken the French political system by bringing back the instability of the Fourth Republic.

Whether Mr Rocard is made Prime Minister or not he will play a key role in the next few days in pointing French politics towards the centre. His aim is to transform the Socialist party into a modern social democratic movement

He also feared (rightly in retrospect) that it would help the National Front gain greater political ground in the country.

But his resignation was not just a matter of principles. It also reflected the profound political frustrations of Mr Rocard as an outsider within the Socialist party leadership and Mr Mitterrand's favourite punching ball.

However, he has never given up even though he has increasingly been seen as a "political loser." Warm and compassionate, at times perhaps too intellectual, but never frightened of preaching unpopular truths, Mr Rocard has built up his popularity thanks to the strong sense of integrity he projects. However, he has proved as gauche in politics as Mr Mitterrand has proved cunning and brilliant.

His impatience for power and his ambiguous commitment to socialism, for party hardliners at least, made him an unpopular figure inside a large slice of the Socialist party. Moreover, Mr Mitterrand and his younger and equally ambitious acolytes were profoundly put out when Mr Rocard made his unsuccessful bid to stand as the Socialist candidate for the 1981 presidential election.

Even during his period of self-imposed isolation after Mr Mitterrand's victory then, Mr Rocard never lost his political ambitions. Indeed, he was among the first people to announce he intended to run for the presidency this year but dropped out gracefully as soon as it became obvious Mr Mitterrand would run again.

He also rallied sportingly to Mr Mitterrand's cause this year and undoubtedly played some part in bringing Mr Mitterrand the votes of some centrist UDF supporters in the second round after the first round defeat of their candidate, Mr Raymond Barre, the former right-wing Prime Minister. In many ways, Mr Barre has been a comparable phenomenon on the right to Mr Rocard on the left.

In contrast, Mr Mitterrand has always seemed way ahead of Mr Rocard in terms of tactics. After taking over the reins of the modernised Socialist party at the famous Congress of Epinay in 1971, he worked towards crushing the Communists by first embracing them in a common programme and then splitting away from them once the Socialists had become the dominant force on the French left as well as the country's single largest political party.

He achieved this with brio. The Communists today can muster hardly 6 per cent of the popular vote.

At the same time, Mr Mitterrand started moving towards the centre, following the evolution of the French political landscape. In his latest election campaign, he *hardly* ever mentioned the word socialism and made open advances to centrist voters and their leaders. *Rassembler* or bringing together the different political currents has become his theme as he sets about trying to stitch together a new parliamentary majority.

It has also long been one of Mr Rocard's theme. Mr Rocard was talking on Sunday night about the need now for the *rassemblement de la France* and described Mr Mitterrand's success as "a victory for France". Perhaps the new political realities of the country have finally brought together the "terrible twins" of the Socialist party.

Mr Mitterrand clearly needs Mr Rocard to help him lure the centre to his cause and divide and debilitate the traditional right even further. Mr Rocard needs Mr Mitterrand's endorsement if he is ever to persuade the Socialist party and its other younger generation leaders to back him in a future bid for the Elysee.

For all these reasons, Mr Rocard may be the best man to lead Mr Mitterrand's first Government into legislative elections where the President will hope to secure an outright majority in the National Assembly. But it should not come as a big surprise, even for Mr Rocard, if he were not renominated after the general election.

There could be all sorts of other underground Florentine motives for Mr Mitterrand picking Mr Rocard as Prime Minister. In the end, however, whether Mr Rocard is chosen or not (Mr Mitterrand has been known in the past to raise his rival's expectations and then drop him like a brick at the last moment), the two men can hardly do without each other in their communion with social democracy.

FRENCH ELECTIONS

Immigrants signal their relief at the defeat of the right

THE ATMOSPHERE was more fairground than political rally, as tens of thousands of Parisians flocked towards the Place de la Republique on Sunday night to celebrate President Francois Mitterrand's re-election.

For the crowds moving on foot and in hooting, overloaded cars towards the Republique – converted for the occasion from its usual hair-raising traffic roundabout into a giant bandstand – Mr Mitterrand's victory was never in doubt.

But there was still a tangible sense of relief, especially among the many West African or Maghrebin immigrants *without* a vote. They have *for* the most part adopted Mr Mitterrand as their saviour from the rise of the racist National Front and its leader, Mr Jean-Marie Le Pen.

For them, the last week had raised new fears, as the dramatic release of three French hostages from Lebanon was followed in quick succession by the bloody assault on the cave in New Caledonia where 23 gendarmes were held captive by Melanesian separatists, and by the premature return home of *Captain Dominique Prieur, the secret* agent exiled to the South Pacific for her part in the bombing of the Greenpeace flagship, Rainbow Warrior, three years ago.

The Chirac Government seemed in their eyes to be ready to use any means to win the votes of the far right.

"We were all waiting for police raids last week on the immigrant hostels, we were sure there would be a clampdown to attract the Le Penists," said Mr Dia Salion, a Senegalese immigrant. "Even the West Indians were afraid of a Chirac victory, and they are French citizens," added a young Frenchman from Montreuil.

In the end, the dramatic events of the past week appear not to have affected the vote in Mr Mitterrand's favour.

"Chirac was much too theatrical, everyone understood what was going on," commented Ms Edith Sissoko, proud declaring herself a Mitterrand voter. "In politics there are some coincidences you just don't believe in."

Mr Jack Lang, the former Socialist Culture Minister, pressed the point home in the star-studded line-up of musicians he produced for the Republique festivities, with Caribbean groups like Kassav and West African musicians like Mann Dibango bearing the message of cultural diversity.

"France is like a moped – not very advanced, and it runs on a two-stroke mixture," quipped one *of the singers.*

In the rare political interludes between the music, there was no doubt who the crowd saw as the villain: Mr Charles Pasqua, the Interior Minister, negotiator of the hostages' release, instigator of the mass deportations of illegal immigrants, architect of Mr Chirac's shift in the direction of the National Front voters over the last two weeks.

"Pasqua, Assassin," they chanted, and, "Give us back Mandela, we'll send you Pasqua."

Mr Chirac himself, although the right's candidate, escaped virtually nnscathed from the crowd's attacks. In the Republique and along the Boulevard dn Temple and the Boulevard Beaumarchais, leading to the Place de la Bastille, the milling revellers were enjoying themselves too much to waste time on political acrimony.

"It is more spontaneous, more cheerful than in 1981," remarked a Spanish Republican who fled to France from General Franco half a century ago, one of the few in the crowd aged over 30.

But this was not the same political event as the 1981 celebration, when Mr Mitterrand brought the left back to power after 25 years waiting in the wings; more a burst of youthful high spirits. The "pink wave" of seven years ago has given way to the "Mitterrand generation", younger and less ideological.

Lisbon tries to woo investors

By Diana Smith in Lisbon

THE DWINDLING confidence of Portuguese investors revealed by surveys of industry has prompted Mr Miguel Cadilhe, the Finance Minister, to bring forward a cut in interest rates scheduled for the summer. Credit ceilings continue, however.

Maximum lending rates have been cut by one point to 17 per cent. With annual inflation running at 8.6 per cent, real rates despite regular cuts since 1986, are expensive for average borrowers.

Small and medium businessmen, the pillars of Portuguese industry and commarce and *heavily responsible for* last year's landslide victory of the Social Democrat Government, cite difficulty in obtaining credit as the basis for their reluctance to invest.

As a sop, the Finance Ministry has now exempted small and medium-sized businesses from the 0.5 per cent surcharge on loans exacted from borrowers for a bank compensation fund. Large businesses will still pay the surcharge.

Declining investor enthusiasm is a damp squib for the self-assured Government after last year's unprecedented 20 per cent investment growth.

By the end of 1987 com*plaints* were *growing* about tough credit ceilings aimed at keeping down inflation. Monthly investor confidence graphs by the Institute of Statistics began a drastic decline.

Furthermore, the Government's slowness in starting its privatisation programme, and growth of the huge accumulated public debt to more than 75 per cent of gross domestic product, are constantly squeezing credit for the private sector – and businessmen are losing patience.

Howe hails Thatcher 'revolution'

By Robert Taylor in Stockholm

THATCHERISM is responsible for the "new economic revolution" in Western Europe, Sir Geoffrey Howe, Britain's Foreign Secretary, claimed here yesterday in a speech to the International Chamber of Commerce.

"In many respects it has already led to the transformation of the European Community," he claimed. "Budget disciplines and reform of the common agricultural policy are examples. Deregulation for its own sake is another, as is the emphasis on liberalisation and free trade throughout the Community."

Sir Geoffrey maintained that "Thatcherism is catching on in Europe because it is seen by all – regardless of political party or leaning – not as an ideology but as sound good sense."

He spoke of the "progressive domination of liberal economic doctrines from Budapest to Beijing" and claimed that the changes so far in the EC were but tha prelude to more fundamental changes by 1992 in the creation of the free internal market.

His visit comes at a time when Swedish business and politicians are debating what attitude their country should adopt towards the EC. There is growing anxiety that Sweden could be isolated from crucial economic decision-making with the creation of the internal market in 1992.

The Government insists thet Sweden's traditional commitment to political neutrality rules out full EC membership. But on Friday Prime Minister Ingvar Carlsson sets off on a trip round Western Europe to explain his country's attitude to the EC during which he will meet Mrs Margaret Thatcher, Mr Felipe Gonzalez, the Spanish Prime Minister, Mr Jacques Delors, president of the European Commission, and Chancellor Helmut Kohl.

Yesterday Sir Geoffrey left his audience in no doubt that they could not have a say in drawing up policies inside the EC because they did not belong to it. However, he reassured them that Britain did not favour a protectionist Community of cartels and centralised controls.

"I do not agree that as internal barriers come down external barriers should go up," he argued. "That would defeat the whole object of creating the internal market, for it would make the Community less rather than more competitive. The aim is to create a Europe better able to cope with competition from the Far East and elsewhere."

The British commitment to the internal market by 1992 reflected a "wider commitment to a freer and stronger open trading system world-wide."

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The EC Commission has produced the most detailed forecast yet on the impact of the changes planned for 1992, **Guy de Jonquières reports**

Single market gains depend on more than lifting barriers

THE European Community will have to do more than simply dismantle its internal trade barriers by 1992 if it is to realise the full economic benefits of a single market, according to a report published yesterday by the EC Commission.

It says that to exploit all the potential gains, the Community must also have a strong competition policy and achieve agreement rapidly among its members on co-ordinated macro-economic policies designed to stimulate growth and demand.

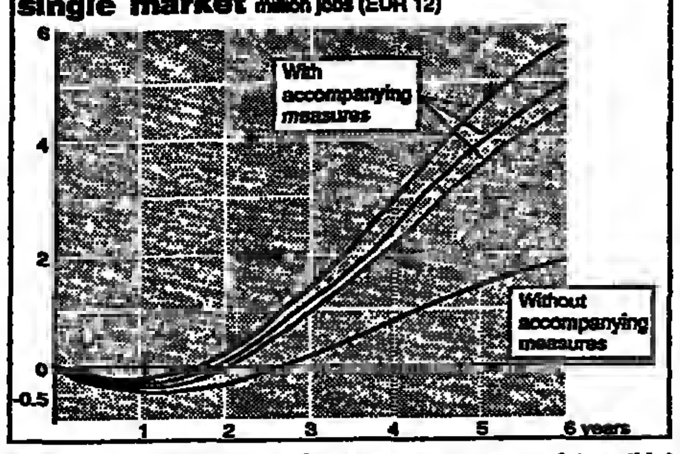
The report warns that transition to a single market will be likely to involve a difficult adjustment process. Some job losses will be inevitable in the short-term as industries are rationalised and restructured in the face of stiffer international *competition.*

Without close policy co-ordination in an economically more interdependent EC, there was a danger that countries would resort to recessionary adjustment measures, the costs of which would be exported to their partners.

It also says the growth of intra-EC trade and freedom of capital movements envisaged in the single market plan could create instability by aggravating exchange rate fluctuations. A strengthening of the European Monetary System was therefore necessary.

The report is the most comprehensive and detailed attempt yet to forecast the impact of proposals to complete the internal market on the EC's overall economic performance and on individual industries. It is based on an analysis of *specially commissioned* economic studies and market

Employment prospects in a single market million jobs (EUR 12)



research conducted during the past year.

It estimates that, without any accompanying change in macro-economic policies, completion of the single market could enlarge the EC's total gross domestic product (GDP) by about 4.5 per cent and increase employment by 1.75m over the medium-term. Price inflation would be reduced and the EC's budgetary and external balances would improve.

But if EC governments took advantage of the release of these extra productive resources simultaneously to adopt more expan*sionary policies, GDP could* increase by 7 per cent and employment by 5m. That could be achieved without any inflationary risks or a deterioration in public finances.

The eventual economic gains would depend on whether the EC *adopted what the report calls* "a narrow, technical and short-term view of the costs of 'tangibly' identifiable customs barriers – such as customs delays or various regulations" – or "a broader, strategic and long-term view of the benefits from having a fully integrated, competitive and rationalised internal market."

In either case, the report says, the EC needs to implement the 300 directives outlined in the EC's 1985 White Paper on the single market with sufficient speed and conviction to reinforce the credibility of the operation. "Implementation of half of the actions proposed in the White *Paper will deliver much less than* half of the total potential benefits," it says. This comprehensive approach was necessary as much for psychological as practical reasons, since the success of the single market programme depended crucially on whether businesses *really* believed it would be put into effect and planned their

'Some job losses will be inevitable in the short-term as industries are rationalised and restructured'

strategies accordingly.

"While the collective advantages of the internal market are great, the *individual risks* are equally great. Firms will not venture into the unknown," the report says. "Excessive slippage in the timetable, obscure compromises and inconsistent decision-making may all undermine the process."

Though removal of frontier and regulatory barriers was vital and would yield appreciable short-term gains by reducing businesses' administrative costs, the report stresses that the biggest benefits of a single market would be achieved over the longer-term.

These benefits would include restructuring by industries to secure improved economies of scale and the eradication of inefficiency due to over-manning and excess inventories and overheads. Companies might also be stimulated to exploit comparative *advantage more effectively and* to innovate faster.

In some industries, these kinds of benefit might account for as much as 85 per cent of the total direct and indirect gains from a single market.

A central assumption of the report is that removal of barriers would set off an economic chain-reaction, or "*multiplier effect*" which would produce a virtuous circle of non-inflationary growth. It emphasizes that the role of vigorous competition in this process would be crucial.

For competition to develop freely, the report says, internal *EC frontiers must be truly open* so that businesses can erode substantial differences between national markets in the prices for similar products and services. It finds prices for a range of consumer goods can vary by more than 20 per cent across the EC.

Governments must also encourage unrestricted competition by curbing "defensive" national subsidies, while firm action would be needed to prevent companies from segmenting markets and abusing dominant positions.

The impact of a single market would vary widely between both countries and sectors, the report says. It was likely to be greatest and most positive in technologically-advanced sectors, such as electronics, where the Community's international competitive performance had been relatively poor.

The effects were likely to be least in more traditional industries such as footwear, textiles and clothing, where internal market barriers did not appear to impose a severe competitive handicap.

The report says Europe could choose to take the benefits of a more competitive market mainly in the form of lower price inflation, as increased output with unchanged inflation or as a mixture of the two options.

It favours a more expansionary course, arguing that businessmen's expectations that the single market programme would boost their sales should be underpinned by a well-co-ordinated macro-economic policy aimed at faster growth.

"If this is not done, the market liberalisation process risks generating defensive negative reactions, in which case the viability of the programme could be threatened," it warns. It also favours action to avoid a near-term weakening of the European *business cycle* and to prevent an excessive decline of the US dollar. The report dismisses as unfounded concerns among some of the EC's newer Mediterranean members that a single market would increase the prosperity of rich areas of the Community at the expense of poorer regions and countries.

It says smaller countries, particularly those with protected economies which have recently joined the EC, have proportionately the biggest opportunities to gain from an integrated market.

The study finds, not surprisingly, that national barriers are generally highest in the newer EC member countries, Greece, Portugal and Spain. However, Belgium is also found to have exceptionally obstructive barriers due to frontier delays, customs formalities and certain technical regulations.

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MEDIUM-TERM MACRO-ECONOMIC CONSEQUENCES OF EC MARKET INTEGRATION

Economic policy		Gdp (%)	Consumer prices (%)	Employment (millions)	Public budget balance (% point GDP)	External balance (% point GDP)
Without accompanying measures		+4.5	-6.1	+1.8	+2.2	+1.0
With accompanying measures	- Public budget balance	+7.5	-4.3	+5.7	0.0	-0.5
	- External balance	+6.5	-4.9	+4.4	-0.7	0
	- Price reductions	+7.0	-4.5	+5.0	+0.4	-0.2

Margin of accuracy +/-30%

	Customs formalities	Public procurement	Financial services	Supply-side effects	Average value	Total Spread
Relative changes (%)						
Gdp	0.4	0.5	1.5	2.1	4.5	3.2 - 5.7
Consumer prices	-1.0	-1.4	-1.4	-2.3	-6.1	-4.5 - -7.7
Absolute changes						
Employment (thsnd)	200.0	350.0	400.0	850.0	1800.0	1300.0 - 2300.0
Budgetary balance (% point of Gdp)	0.2	0.3	1.1	0.6	2.2	1.5 - 3.0
External balance (% point of Gdp)	0.2	0.1	0.3	0.4	1.0	0.7 - 1.3

Source for tables: EC Commission, Directorate-General for Economic and Financial Affairs

Divisions remain over external trade policy

THE REPORT is least clear and coherent when addressing the politically-charged question of what type of external trade policy the Community should adopt after 1992. This is probably because many issues are unresolved, and the commission and EC member governments are deeply divided about how to tackle them.

Nonetheless, some comments in the report do not seem calculated to reassure major trade partners such as the US and Japan, where there is growing concern about how open to outsiders a single EC market may turn out to be.

The report suggests that, in some unspecified way, community companies should be entitled to advantages over non-EC competitors in a single market. It also says that access by companies from third countries should depend on their national governments concluding agreements with the Community on reciprocity.

"The very term 'internal market' pre-supposes that the identity of the unit differs from that which lies outside," it says.

"The rules governing international economic relations comprise the principles set out within the Gatt framework which allow the Community to reserve for members the advantages resulting from an intensification of their mutual ties as long as this does not involve a deterioration in the treatment of non-Community countries by comparison with the earlier situation."

Differentiation must not mean isolation, and the EC must remain open to dialogue and negotiation with its trading partners, the report says. Among the important areas where the Community required negotiated agreements were reciprocity in banking and public procurement.

The report also says the capacity of European companies to resist non-EC competition will depend on "strategic barriers to entry". These include exploiting quickly the advantages of innovation, the use of more rapid learning processes, special relationships with customers and suppliers and control of product ranges.

"Thus a distinctive European character can be affirmed in different ways, reflecting a 'Community preference'. This makes European standards (information, compatibility, quality, etc) an essential weapon in the great industrial battles of today."

An important trade issue on which the report remains silent is the future of the restraints on car imports from Japan in force in Britain, France and Italy.

It is generally agreed that it will be difficult or impossible to achieve completely free trade in cars in a single market while these national restrictions remain.

Gauging effects of ending obstacles to trade

THE STUDY attempts to measure the importance of the market barriers within the EC which the single market programme sets out to attack, and the benefits which would be gained by removing them. Among its main findings are:

● Simply removing market barriers would produce gains of Ecu70bn, or 2.5 per cent of the GDP of the seven largest EC countries in 1985.

● A more ambitious scenario leading to an integrated, competitive market, would yield gains on the same basis of Ecu125bn-190bn or 4.25 per cent – 6.5 per cent of GDP.

● Large cost and price differences exist between national markets. The differences have widened in the past 10 years in sectors subject to non-tariff barriers and narrowed in sectors open to EC competition.

Only about a quarter of price differences for consumer goods is due to indirect taxes. The report estimates that a narrowing of price differences due to keener competition in a single market could produce gains of between Ecu64bn and Ecu250bn.

● Total costs to industry of all types of identifiable internal barriers amount to Ecu40bn or 3.5 per cent industrial value added.

Eliminating these barriers could reduce costs by 1-2 per cent for the food and beverage sector and by 5 per cent for cars.

● Direct costs of intra-EC frontier formalities, including administrative costs to companies, amount to Ecu8bn, or 1.8 per cent of total trade between Community countries.

● The opening up of public procurement to wider competitive bidding could reduce prices of products purchased by 10-20 per cent or more.

Total EC-wide savings, including on defence procurement (which is not covered by the single market programme), would have been Ecu18bn, or 0.6 per cent of Community GDP, in 1984.

PUBLIC PROCUREMENT: SELECTED INDUSTRIES

	Community market (Ecu billion)	Current capacity utilisation	Intra-EC trade	Number of EC producers	Number of US producers	Economies of scale
Boilermaking	2	20%	very little	12	6	20%
Turbine generators	2	60%	very little	10	2	12%
Locomotives	0.1	50-80%	very little	1	2	20%
Mainframe computers	10	80%	30-100%	5	9	5%
Telephone exchanges	7	70%	15-45%	11	4	20%
Telephone handsets	5	90%	very little	12	17	-
Lasers	0.5	50%	substantial	1,000+	1,000+	n.a.

Most businessmen 'expect their costs to fall'

MOST EC businessmen believe that the removal of market barriers will reduce their costs and help them increase sales to other Community countries, according to a survey made for the report.

Companies expected an average reduction of 2 per cent in costs of their main product lines, thanks mainly to lower distribution charges, lower costs of imported raw materials and improved manufacturing productivity.

Most companies expected little change in their home sales. In France and Greece, however, expectations of an increase in total sales were markedly lower than in most other parts of the EC.

The report expected a single market to give added impetus to industrial restructuring through mergers and to co-operation between companies.

It expressed strong doubts, however, about the value of some types of merger.

Its greatest doubts were about horizontal mergers and those based on diversification of conglomerates.

"We should mistrust amalgamations based exclusively on financial or personal links which do not lead to any genuine integration reflected in an overall strategy," it said.

"Some mergers ultimately produce groups with no internal coherence, and can represent a desperate attempt at survival on the part of ailing companies unable to make any new investment."

The report pointed to a high failure rate among co-operation arrangements between companies. It said that was caused partly by inter-country barriers, the biggest of which were differences in national company law and tax systems.

Small firms in the US often played an active role, but European markets were often monopolised by big, established companies with privileged relationships with their national authorities.

The report expected a single EC market to create better opportunities for small and mediumsized firms, which could use it to expand onto the world stage.

Business attitudes to a single market (%)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12
For your company													
Opportunities much greater	35	12	15	15	26	9	33	26	20	26	35	21	19
Opportunities somewhat greater	38	42	37	40	33	36	33	38	40	25	25	45	37
About the same/don't know	25	42	41	19	30	49	28	30	40	44	30	29	37
Risks somewhat greater	2	3	6	21	6	5	3	5	0	2	11	4	5
Risks much greater	0	1	1	5	5	1	3	1	0	3	7	1	2
For the economy of your country													
Opportunities much greater	35	15	17	14	25	7	23	21	40	30	31	16	13
Opportunities somewhat greater	45	44	33	19	24	29	43	28	20	32	23	38	31
About the same/don't know	13	33	43	19	37	40	17	36	40	31	22	33	38
Risks somewhat greater	2	7	6	29	6	20	14	10	0	5	16	10	10
Risks much greater	0	1	1	19	6	4	3	5	0	2	6	1	3

Key to tables: B=Belgium, DK=Denmark, D=West Germany, GR=Greece, E=Spain, F=France, IRL=Ireland, I=Italy, L=Luxembourg, NL=Netherlands, P=Portugal, UK=United Kingdom and EUR 12=EC total.

Expansion likely in high-tech industries

DEVELOPMENT OF freer competition should move EC industry away from dependence on mature, traditional activities and into technologically-advanced sectors offering faster growth, the report said.

The EC lagged behind the US and Japan in fast-expanding industries with a high technological content, such as electronics and electrical and office machinery, it explained.

It gave that as a prime reason for the EC's recent disappointing growth and international trade performance.

Sectors with fast-growing demand accounted for 22.4 per cent of value-added in EC industry against almost 27 per cent in the US and more than 28 per cent in Japan. EC productivity in these sectors had been relatively poor, the report added.

Pharmaceuticals and chemicals were the only important technologically-intensive businesses in which EC industry had performed strongly.

The Community's best productivity was in food, drink, tobacco, textiles, leather, clothing, non-metalliferous ores and building materials.

Those were all handled by industries for which national markets were big enough to offset the effects of non-tariff barriers.

In several of the industries EC manufacturers faced severe competition from the Third World, the report went on. They had managed to defend themselves by shifting into top-of-the-range products, where world demand was growing fastest.

Between 1979 and 1985, the EC's share of the market in the rest of the world for manufactured products fell by 1.4 per cent while the shares won by the US and Japan rose by 0.7 per cent and 5.4 per cent respectively.

The EC's market share improved in slower-growing sectors, but fell rapidly in many high-growth industries.

EC manufacturers fared better on their home and other Community markets. Yet imports from outside the EC had grown much faster than intra-EC trade in some products. The report cited information technology, electrical equipment, machinery and vehicles.

A single market should boost the competitiveness of high-technology industries. It would cut administrative costs of meeting differing technical regulations and standards. More importantly, it would make bigger economies of scale possible.

The most positive impact of scale economies would be in production, said the report. That was where increased volume and efficiency would enable manufacturers better to recoup development costs.

But those benefits could be achieved only by further restructuring and rationalisation of the industries concerned.

The report was much more sceptical about economies of scale in research and development. It suggested that competition might be more important than company size in stimulating rapid and commercially-productive innovation.

The report points to wide variation in pharmaceutical prices, telecommunications standards and financial transactions

Case studies show potential benefits for products and services

THE REPORT contains several case studies of the impact of the single market on specific sectors, *which are summarised below;*

PRODUCTS

Food processing: A survey identified a total of 218 non-tariff barriers to intra-EC trade, including import restrictions, regulations on packaging and product descriptions, bans on ingredients and tax discrimination. The direct benefit of removing these barriers is estimated at Ecu500m-1bn, or 1-2 per cent of the industry's annual turnover.

Their elimination should lead to expanded intra-EC trade and restructuring of the food-processing industry, which remains fragmented. Of the 46 largest European companies, 44 per cent operated in only one EC country outside their home market, while only 10 per cent operated in at least four of the largest EC states.

Pharmaceuticals: Consumption patterns and prices varied widely between EC countries, and pricing freedom existed only in West Germany, the Netherlands and Denmark. For one product, Zyloric, the price ranged from Ecu47 in Ireland to Ecu5 in Spain. *If* price variations were narrowed in a single market, consumer and social security spending on pharmaceuticals could *fall by* Ecu720m or 3 per cent.

Though the EC had acted to harmonise legislation on product registration, the process was still subject to long delays in some countries. The report estimates that abolishing the need to register a product separately in each country could save the EC pharmaceuticals industry Ecu160m-260m. If a single market caused the industry to concentrate production, cost savings could range from Ecu44m to Ecu273m.

Cars: The main obstacles to intra-EC trade were differing national standards and type-approval procedures, customs delays, differing Value Added Tax rates and selective distribution systems.

Rather surprisingly, however, the report says formal barriers have a relatively marginal impact on the car industry and suggests that the internal market programme is unlikely to make much difference to the sector.

Textiles and Clothing: Few obstacles to intra-EC trade were evident, and cost savings due to a single market would be small. Increased competition would be likely to lead to more direct investment and contracted out processing in low-wage countries outside the EC.

The report notes that the maintenance of the current Multi-Fibre *Arrangements, which limit* EC imports by country, would be incompatible with a single market.

Building Products: The main obstacles to intra-EC trade were cultural, traditional and climatic differences. However, national regulations and technical certification also presented barriers, particularly in France and West Germany. *Harmonisation* and lower transport costs could reduce costs by an estimated *Ecu1.7bn* or 1.7 per cent of the total value of production in the five largest member states.

Telecommunications Equipment: The EC market was severely fragmented by differing national standards, approvals restrictions and discriminatory procurement. Only a third of the EC industry's total exports went to other EC countries, and the Community's trade surplus with the rest of the world was falling.

Standardisation and more open, competitive procurement policies, as proposed by the EC Commission, could yield gains of Ecu3bn-4.8bn.

Consumption and prices of pharmaceuticals in the EC in 1985

	Sales as % of GDP	Sales as % of health spending †	1985 prices inc taxes	1985 prices exc taxes
B	0.81	8.6	83	85
DK	0.50	7.0	140	123
D	0.89	11.0	157	148
GR	0.95	20.2	-	-
E	0.61	12.1	-	-
F	0.81	8.8	86	66
IRL	0.67	8.8	155	124
I	0.91	12.4	69	68
L	-	-	84	85
NL	0.38	4.1	136	139
P	1.08	18.9	-	-
UK	0.59	9.8	91	97
EUR12	0.78	9.5		

† Data refer to 1983. 100 = average for 9 EC countries

SERVICES

Financial Services: Substantial *differences existed between the* costs and prices of financial services in different EC markets, which were segmented by regulatory and other barriers. The size of the differences varied considerably between types of service, producing a complex picture.

The report expects freer competition to produce lower prices, particularly in Spain, at present one of the most expensive countries. The size of the fall was expected to vary considerably both between countries and between different types of service within a country.

Precise forecasting was impossible, partly because developments in the EC market would be influenced by local customs, national policies and wider international trends. It was uncertain whether the EC would achieve uniform pricing in a single mar*ket. However, as a rough guide, a* 10 per cent price reduction across the EC could be expected to lower the cost of financial services to the economy by Ecu21bn.

In banking, prices diverged more widely for retail and consumer services than for corporate services, which were more exposed to international competition. Prices for consumer credit appeared particularly high in West Germany, France and the UK. Prices for corporate services were particularly low in West Germany and high in Spain.

In insurance, the lowest prices were in the Netherlands and the UK and the highest in Belgium, Luxembourg, France, Spain and Italy. in most cases these differences were due to varying regulations, market structures and competition.

In securities transactions, prices wera lowest in Luxembourg, West Germany and the UK and particularly high on the government bond markets in Belgium and Italy.

The report argues that, in an *integrated financial market,* investors would be freer to diversify their portfolios to obtain higher returns and lower risks. The resulting capital flows should lead to equalisation of real interest rates, real rates of return and the marginal efficiency of capital throughout the Community.

Business Services: There had been a strong trend among EC companies to contract out professional services. In most cases, there were few important barriers to trade. A competitive single market might reduce costs by about 3 per cent, though this estimate was highly tentative.

Road Transport: The EC industry was riddled with restrictions, such as controls on tariffs and permits and bans on cabotage, which reduced efficiency. One study estimated the total cost of "empty moves" by lorries at Ecu1.2 bn, 20 per cent of it due to regulatory restrictions. The report does not estimate the gains from a single market but assumes a cost reduction of 5 per cent overall.

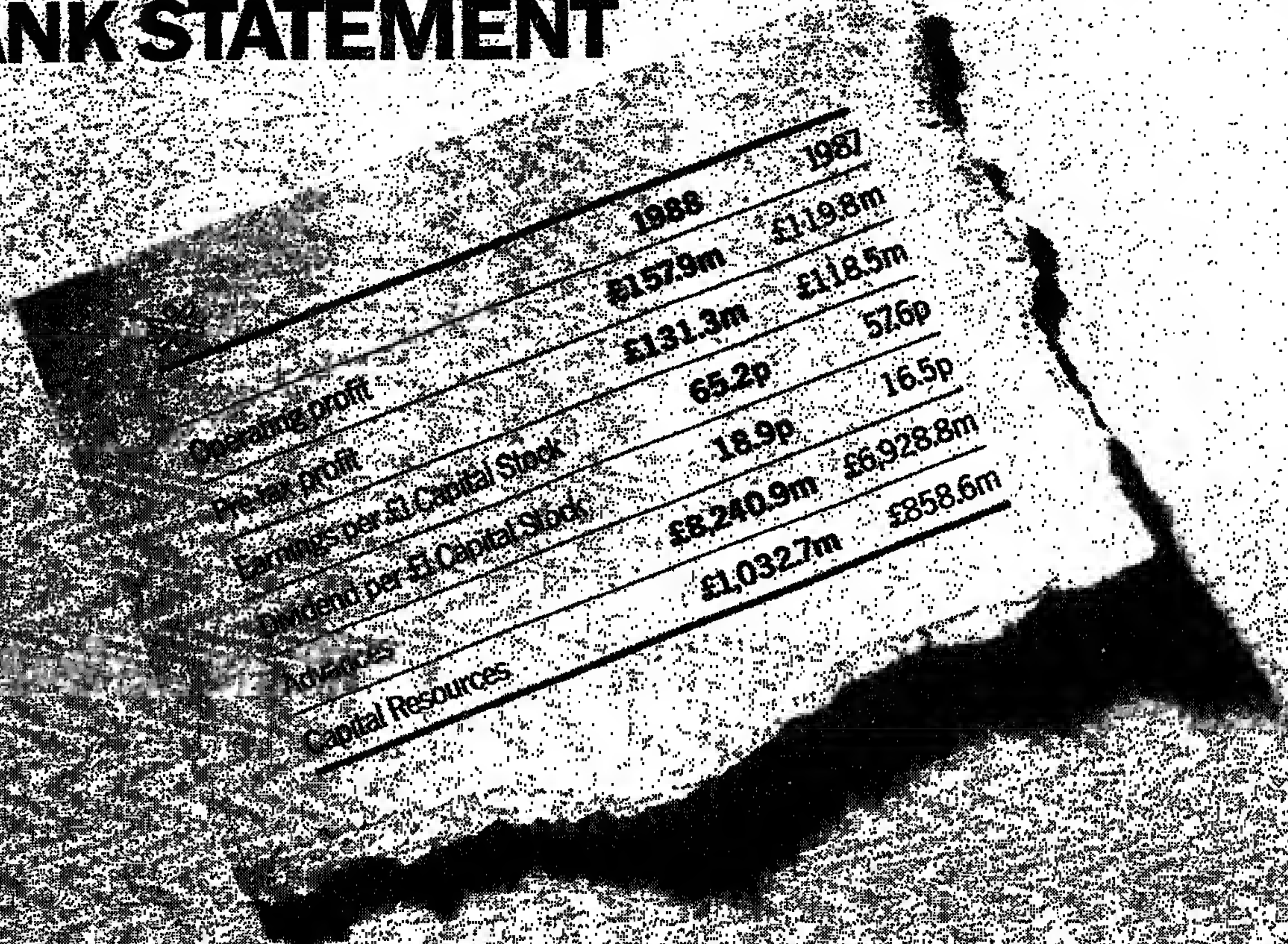
Air Transport: The report notes that airline costs and fares are much higher in Europe than in the US but contains no fresh research on potential savings from liberalisation.

Telecommunications Services: The potential economic gains from implementing the very cautious liberalisation of national network monopolies proposed by the EC Commission would amount to about Ecu2bn. Much larger additional gains of about Ecu4bn could be achieved if more decisive measures were taken to subject monopolies to real competition in this area.

THE EC FINANCIAL SERVICES SECTOR IN 1985

	Gross value added as % of GDP	Employment as % of total employment	Compensation of employees as % of total for economy
B	5.7	3.6	6.3
D	5.4	3.0	4.4
E	6.4	2.8	5.7
F	4.3	2.8	3.8
I	4.9	1.8	5.6
L	14.9	5.7	12.2
NL	5.2	3.7	4.9
UK	11.8	3.7	8.5
Total for 8 EC countries	6.4	2.9	6.2

BANK STATEMENT



Bank of Scotland is Pleased To Announce Another Year of Record Group Profits

IN 1987-88 Bank of Scotland has performed exceptionally well in all areas, increasing operating profits by 32% to a record level.

While this success is directly attributable to positively planned development both at home and abroad, the Bank's Governor, Sir Thomas Risk, is quick to credit staff too:

"In a service business like ours, such pleasing results could only have been achieved by the concerted efforts of our people at all levels across the organisation.

Thanks are due to the staff for their continuing support and we welcome the [illegible] additional employees who joined over the past year to meet the ongoing expansion."

Developing new revenue sources is a key element in the Group's strategy for future growth. Indeed, it is an ability to identify and exploit niche markets with unique services and products coupled with a determined effort to provide quality service, that enables us to maintain the momentum evident in recent years.

With this year's Report another innovation is introduced – a Personal Stockholders' Benefits Scheme which, we believe, is the first package of its kind to be offered by a major company in the financial sector.

The Group's increased flexibility and its corporate flair and enthusiasm signal even more progress in the years to come. As the Governor states, "The opportunities for profitable expansion of the volume and diversity of all aspects of the Group's business have never appeared more promising."

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OVERSEAS NEWS

Golden Temple shooting raises Punjab tensions

BY JOHN ELLIOTT IN NEW DELHI

TENSION increased sharply in the north Indian city of Amritsar yesterday when a senior police officer was wounded during an long exchange of fire between Sikh extremists inside the large Golden Temple complex and security forces stationed outside the temple perimeter. Four people were killed in the shooting and six others wounded.

Last night Mr P. Chidambaram, Minister of State for Home Affairs, told the Indian parliament that the situation in the city, which had been placed under curfew, was "fluid and tense".

The fighting came at a time when violence is escalating in the Punjab and the neighbouring state of Haryana because of increased Sikh terrorist attacks. Nearly 40 people have been killed in the past three days and the death toll so far this year has exceeded 1,000, including some extremists shot by police.

The temple is the headquarters for various extremist groups. The fighting started yesterday lunchtime when Mr S.S. Virk, one of Punjab's most respected younger police chiefs who commands the city's security forces, climbed to a nearby rooftop to examine fortifications being built on the edge of the temple complex by Sikh gunmen. Mr Virk was shot through his jaw but was reported last night to be out of danger. The firing continued through the afternoon.

The Government has told the security forces to stay outside the temple because it does not want a crisis to develop which could disrupt its two-month attempts at a peace initiative for the Punjab. But police chiefs are not happy with this order, which will now be reviewed. Mr Julius Ribeiro, who was recently promoted from being director general of the Punjab police to be an advisor with ministerial rank to the state's governor, called yesterday's shooting "a grave provocation".

Kabul-Delhi link attacked

MOSLEM guerrillas yesterday condemned Afghan President Najibullah's visit to India, Reuter writes from Islamabad.

Mr Gulbuddin Hekmatyar, chairman of the main Afghan guerrilla alliance, asked Indians to stop Prime Minister Rajiv Gandhi supporting what he called a Soviet puppet regime in Kabul.

Mr Najibullah ended a three-day visit to India on Friday, nine days before an estimated 115,000 Soviet troops in Afghanistan are due to begin pulling out under a UN-mediated accord.

Mr Hekmatyar said that Mr Najibullah's Government was bound to fall soon without Soviet troops. He accused Mr Gandhi of political immaturity which he said had created fears India might "resort to another insane and frantic role in Afghanistan similar to that in Sri Lanka". New Delhi has sent about 50,000 troops to Sri Lanka to help end a Tamil rebellion.

The guerrilla leader's seven-party alliance is based in Pakistan, which has also expressed unhappiness at the visit.

Francis Ghiles reports on Rabat's efforts to boost economic prospects

Morocco tightens the IMF screw

THE outcome of a bitter debate between Moroccan businessmen and the Government over cuts in tax holidays enjoyed by investors could have a decisive impact on the country's economic prospects.

At one level it is a battle between the powerful business community, represented by the Association Marocaine des Exportateurs (Asmex), over the decision in late January by Mr Mohammed Berrada, the Minister of Finance, to cut the holiday from 10 years to five.

But at the heart of the dispute lies the Government's overall economic strategy supported by the International Monetary Fund and the World Bank. The ingredients include a privatisation programme, trade liberalisation and a government development programme which attempts to tackle the problems of a weak infrastructure, but at the same time keeps within budget ceilings agreed with the Fund.

Raising funds in Morocco is not easy, however. Much of the country's economic activity is not formally recorded and tax evasion is a way of life.

Businessmen registered for tax holidays are thus an easy target and the Government's measure will save millions of dollars a year - though an exact figure is not available at this stage.

The move prompted howls of outrage. Businessmen argued that it was illogical for the Government to whittle away tax incentives, while at the same time attempting to promote exports. The Government's response is that five years remains generous and that many of the benefitting industries have little export potential.

At the same time Mr Berrada continues to stress his central message: higher rates of growth will not be achieved unless more domestic resources are harnessed.

It is a philosphy which is central to Morocco's relationship with the IMF, and which is showing promising results. Although the fiscal deficit is estimated to have deteriorated by 0.2 per cent to 6.9 per cent of gross domestic product in 1987 (because of a poor cereal crop), the current account deficit declined to dirhams 190m (£12.82m) - the lowest figure since 1974. The inflation rate dropped to 2.8 per cent last year, the lowest for more than a decade.

Several external factors have contributed to the encouraging picture. The Kingdom is benefitting from generous debt rescheduling terms, which last year brought the debt service ratio (as a percentage of goods, services and transfers of remittances from workers overseas) down to 25 per cent - compared with 37 per cent in 1986.

Foreign debt - over $17bn - remains a heavy burden, however, and the Bank al Maghrib (the central bank) continues to impose tight foreign exchange controls. Nonetheless, the bank noted in last July's annual report that capital outflows in 1986 exceeded inflows.

Meanwhile the Government is pressing ahead with reforms, urged by the IMF and World Bank. The citrus and vegetable export monopoly, the Office de Commercialisation et d'Exportation (OCE) has been dismantled, with dramatic results.

Since the beginning of this year a private company, Atlas Fruit Board, has marketed two thirds of the volume of produce OCE once dealt with, using 60 people compared with the 2,000 OCE used to employ.

Bus companies in Rabat and Casablanca have been privatised and allowed to charge higher fares. Most Moroccans agree that they now provide a better service.

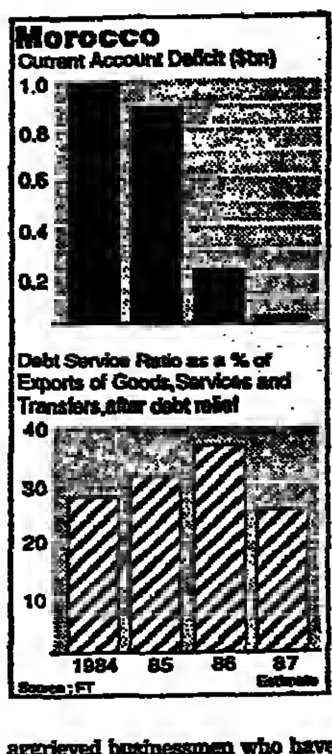
There is a limit, however, to privatisation. Few observers believe that it will apply to major state corporations such as the phosphate monopoly, Office Cherifien des Phosphates.

Nonetheless, reforms in place or under way have won Morocco continuing support from institutions such as the IMF - a $230m 18-month stand-by credit facility which expired in April is expected to be renewed in July.

The coming months, however, will be testing for the Government.

Wages in the civil service have fallen dramatically in real terms. The economy is unable to provide jobs in the formal sector to more than half the 250,000 new work seekers who come on the market each year. And there remains the dispute between Mr Berrada and aggrieved businessmen who have had their tax holiday halved.

Morocco's Minister of Finance still has to convince this influential section of the Kingdom's middle class that this unpopular measure is a key element in sustaining the country's economic development.



Saudi king plans first Cairo visit

By Tony Walker in Cairo

KING FAHD of Saudi Arabia will visit Cairo soon, according to Egypt's Middle East News Agency. It will be the first visit to Egypt by a Saudi monarch in more than a decade.

Western officials in Cairo see the forthcoming visit as another indication of moderate Arab states seeking to forge stronger links with Egypt after a freeze in relations. Most Arab countries, including Saudi Arabia, suspended diplomatic ties with Egypt after it had signed the 1979 peace treaty with Israel.

Relations between Egypt and Saudi Arabia were soured during the last year's of late President Anwar Sadat's rule. Mr Sadat, who was assassinated in 1981, publicly insulted the Saudi royal family on several occasions after Saudi Arabia suspended relations.

An Arab League summit in Amman last November freed member *states* to resume full diplomatic relations with Egypt. Most Arab countries had retained interest sections in Cairo.

Fahd: stronger links

No date for King Fahd's visit was announced, but diplomats here speculate that it may precede a planned emergency Arab League summit due to be held in Algiers at the end of the first week of June.

The summit has been called to shore up Arab support for the Palestinian uprising in the West Bank and Gaza Strip now in its sixth month. While the Amman summit was dominated by the moderate Arabs preoccupied about the threat of Iran and the Gulf War, the Algiers gathering - if it takes place - is likely to see the militants such as Syria play a stronger role.

President Mubarak of Egypt visited Saudi Arabia on a Gulf tour in January. King Fahd's visit to Egypt would be reciprocal.

Troops patrol Karachi to calm ethnic unrest

TROOPS with orders to shoot curfew violators on sight patrolled Pakistan's largest city Karachi yesterday to quell ethnic riots that took 32 lives at the weekend, Reuter reports from Karachi.

With more than half of the city under curfew, heavily armed troops controlling the streets and police searching house-to-house for weapons, no disorders were reported on Monday, authorities said.

Hospital doctors said the death toll rose to 32 from violence on Sunday between Pashtuns from north-west Pakistan and Mohajirs – Moslem immigrants from India.

Twenty-six people were killed and more than 150 injured in gun battles between the rival groups on Sunday, according to the doctors. Four others died of injuries later.

Residents said the situation was generally calm but some firing could be heard in hilly areas in outlying areas.

The latest violence erupted in gun battles between Pashtuns and Mohajirs in the northern district of Khawaja Ajmer Nagri. The dead included seven policemen.

South Africa bans newspaper

THE South African Government yesterday banned the anti-apartheid weekly newspaper South until June 10, the last day of emergency rule, Reuter reports from Cape Town.

South, which supports the opposition United Democratic Front movement, was the second newspaper to be banned for a limited period under terms of emergency censorship powers invoked in October last year.

The banning was authorised by Mr Stoffel Botha, the Home Affairs Minister, and announced in the official Government Gazette.

Mr Botha first used his special power to close any periodical or newspaper accused of threatening the security of the state in March, when he outlawed production of the Catholic newspaper New Nation for three months.

Mr Rashid Seria, South's editor, said: "We had been expecting this, but it is a shock to actually be told.

"We reject the Government's allegations that we promote the African National Congress and stirred up hatred.

"It is apartheid that is at fault and not our reporting of the ugly reality of apartheid. We are not creating the situation, we only report on it," he said.

Mr Seria said the newspaper had a permanent staff of 10. It was selling about 10,000 copies a week.

"Normally it would not have been possible to survive a closure of three months or even one month, but we have been offered so much support from abroad that I think we probably will be able to get through it," he said.

The action against South and New Nation followed a Government clampdown in February and early March on 18 leading dissident organisations including the United Democratic Front.

The groups were effectively banned in proclamations forbidding them to undertake any form of political action.

Mr Stoffel Botha gave no reason for banning South when he announced the action yesterday.

Palestinian activist to be kept in jail until appeal

THE Israeli High Court ruled yesterday that Mr Mubarak Awad, the Palestinian-American activist the Government is trying to deport, must remain in jail until it decides on his appeal against the order, Andrew Whitley reports from Jerusalem. But a prosecution request that he be expelled immediately, while the landmark case is being heard, was dropped.

According to state-run Israel Radio, Mr George Shultz, the US Secretary of State, has sent a message to Prime Minister Yitzhak Shamir asking him to withdraw the deportation order. But this is being denied by the Prime Minister's office.

A prominent Likud parliamentarian yesterday demanded the recall of Mr Thomas Pickering, the US Ambassador. Mr Uzi Landau, a member of Mr Shamir's inner circle of political confidantes, described Mr Pickering as "a hostile ambassador of a friendly state".

Mr Awad, who established the "Palestinian Centre for the Study of Non-Violence" in East Jerusalem in 1985, soon after his return to his birthplace from the US, broke a four-day hunger strike yesterday to take water.

Mao lost 'contact with reality' in later years

MAO ZEDONG, the former Chinese leader, was guilty of "utopian thinking", misunderstood basic communist ideas, and "lost contact with reality", according to Communist Party officials, Robert Thomson reports from Peking.

As part of a significant reappraisal of Mao and his legacy, the Enlightenment Daily yesterday published comments from delegates to a party conference who condemned the late leader for his "extreme leftism" and his misguided leadership in the 20 years from 1956 until his death in 1976.

Mao's body is still on public display and his portrait hangs above the entrance to the Forbidden City and it is clear the leadership is haunted by his legacy. But party reformers want to highlight the worth of their pragmatic policies by re-emphasising Mao's ideological mistakes.

In suggesting that Mao was fundamentally mistaken from 1956, the party credits the chairman with only seven years of useful leadership after the revolution in 1949. The paper said his errors led to the launch of the ill-conceived Great Leap Forward in the late 1950s and the chaotic Cultural Revolution in 1966.

Chinese clash with Vietnamese

CHINESE border forces killed Vietnamese troops who crossed into China and killed three farmers, Reuter reports from Peking.

The official New China News Agency did not say how many Vietnamese were killed in the skirmish which took place in the Chinese region of Guangxi on Saturday.

The agency added that Vietnamese troops had crossed into Guangxi more than 20 times during the past 10 days, looting cattle, grain and cloth.

China and Vietnam fought a brief but fierce border war in 1979 and their armies have often clashed since then.

Japan protests to Gatt at EC 'screwdriver' measures

BY WILLIAM DULLFORCE IN GENEVA

JAPAN has hauled the European Community before Gatt over its decision to impose anti-dumping duties on Japanese products assembled in so-called "screwdriver" plants within the EC.

In unusually aggressive style the Japanese called an extraordinary meeting of Gatt's anti-dumping committee on Friday to protest against the EC crackdown on electronic typewriters and electronic scales produced by five assembly plants on EC territory.

Last month the EC Council imposed duties on electronic typewriters assembled by Canon Bretagne in France and by Kyushu Matsushita, Sharp and Silver Reed in the UK. Duties were also charged on electronic scales produced by TEC (UK) in Preston.

The Japanese companies were assembling mainly imported components at these plants, in order to circumvent anti-dumping duties on their products, the EC charged.

Japan complained on Friday that the EC regulation contravened both Gatt'a General Agreement and its Anti-Dumping Code. Brussels had not assessed whether components were being imported at prices below those charged by their producers on their home market - the essential definition of dumping.

Instead it had imposed a content requirement under which *the companies assembling the* products had to procure a fixed proportion of the parts, more than 40 per cent of the total product value, from the EC region, *the Japanese said.*

The EC duty discriminated between manufactures associated with foreign enterprises and domestic manufactures, even if the latter *used the same proportion* of imported plants in their finished products.

In addition, Japan claimed, insufficient account was taken of cases where the share of local value added was high and where the ratio of imported parts had been large only during the start-up period.

Difficulties in procuring components locally had also been ignored. During the EC Commission's investigation parts which had a UK certificate of origin had not been regarded as parts procured in the EC region, the Japanese charged.

The essential question, the EC responded, was whether the assembly operations constituted a circumvention of anti-dumping *duties previously imposed in* accordance with Gatt rules. Any Gatt member was allowed to take measures to secure compliance with regulations consistent with Gatt.

In April the EC Council noted that all the typewriter companies had started their assembly operations after Brussels had initiated *anti-dumping proceedings.*

Singapore and Hong Kong backed the Japanese while the US and Canada agreed with the EC that "screwdriver" plants *raised a real problem for anti-*dumping action.

The Gatt committee will return to the matter at its regular meeting on May 30. Japan reserved its rights, *a phrase implying that it* could ask for a Gatt disputes panel to be set up.

Conference aims to promote agricultural reform worldwide

BY BRIDGET BLOOM IN MUNICH

AN Anglo-German conference aimed at stimulating action on *worldwide agricultural reform* in advance of the mid-term review of the reform process within the General Agreement on Tariffs and Trade opens in Munich this morning.

The conference, being attended by EC, US and Australian diplomatic business and trade representatives, is taking place amid *fears that* momentum is being lost in the key Gatt talks on agriculture.

The mid-term review of the Uruguay round, set up in 1986 at Punte del Este, is scheduled for Montreal in December. Observers feel that the forthcoming US election, in particular, will vitiate any hope of progress before or at the Montreal meeting.

The Munich conference is jointly sponsored by the London-based Royal Institute of International Affairs and the Trade Policy Research Centre, with the West German IFO Institute for Economic Research.

At the centre of discussions *will be a new Chatham House* study* on agricultural reform written by Sir Michael Franklin, *former* Permanent Secretary at the British Ministry of Agriculture, *to be published this month.*

Sir Michael argues for negotiations within Gatt on the basis of a new proposal midway between those of the EC and the US, the *two giants in the negotiations* without whose full co-operation no agreement is possible.

So far the US has proposed phasing out all direct farm subsidies and farm *trade protection* within a decade. The EC has accepted the need to reduce subsidies, but has not said by how much or over what period.

Sir Michael's suggestion is for a 50 per cent reduction over five years. With some trade-offs possible between trading blocs and on selected commodities, he envisages a minimum 30 per cent reduction in all commodities.

Sir Michael reckons that the whole process of phasing out *farm protection* could take at least 20 years and calls the US proposal to move to the "zero option" in 10 years as "absurd".

He believes the key to reform will be *whether or not* both governments and farmers agree to "de-couple" aid to farm production from direct income support to farmers. Such a move could *allow governments* to keep small family farmers on the land while letting larger enterprises compete on liberalised world markets.

He also maintains that the *problem today for governments* is much less how to support agriculture than what policies they should follow for the rural economy as a whole. Sir Michael argues that *industrialised states* should abolish their ministries of agriculture and replace them with rural affairs ministries.

* *Rich Man's Farming: The Crisis in Agriculture. Chatham House Papers.*

Iraq building 400-mile oil pipeline

IRAQ is building a new pipeline that will enable it to pump oil through either Turkey or Saudi Arabia and so boost its ability to maintain exports vital to its war effort against Iran, AP reports from Nicosia.

The Middle East Economic Survey, the weekly oil industry newsletter published in Nicosia, says the 400-mile 42-inch pipeline will run parallel to an existing north-south pipeline running the length of the country.

The new pipeline, with a capacity of 900,000 barrels a day, was expected to be completed by 1990, hooking into a network linking Iraqi oilfields with outlets across Saudi Arabia in the south and Turkey in the north.

The project, which will secure Iraq's ability to pump oil exports safely out of the Gulf war zone, will be a big strategic boost for a beleaguered country and would remove the threat to industrial nations if Iran closed the Strait of Hormuz.

This would allow Iraq to switch all its exports through Saudi Arabia if Iranian forces and their Kurdish guerrilla allies operating in northeast Iraq threatened the northern pipelines into Turkey.

The Iraqis already have three pipelines linking southern oilfields with Saudi Arabia's Red Sea terminal of Yanbu and northern oilfields with the Turkish port of Yumurtalik on the Mediterranean.

These carry an estimated 2.5m barrels a day. Another 200,000 are taken by truck across Jordan and Turkey.

The new pipeline, with a planned upgrading of the Saudi Arabian link to 1.6m b/d by the end of 1989, would boost Iraq's export capacity to 4m b/d by 1990.

Iraq began building its pipeline network several years ago after the war cut it off from its main export terminals in the northern Gulf and Syria closed a pipeline to the Mediterranean across its territory.

In the early days of the war, Iraq's oil exports plummeted to around 650,000 b/d.

Now it is developing new oilfields which could boost production to 5m b/d by 2000.

Peter Montagnon on a new approach to infrastructure financing

World Bank aid for private-sector Pakistani energy projects

TURKEY has always attracted most of the limelight in the debate over the "build-own-operate" concept of financing infrastructure projects in developing countries. Behind the scenes, however, the idea is now receiving a big push from another country. Pakistan, which, according to businessmen and bankers, has adopted a more promising approach.

The £200m power station contract announced last week by Hawker Siddeley of the UK is only one of a string of energy projects being planned by Pakistan with the help of the World Bank. Collectively they are worth more than $2bn (£1.07bn) and all involve private sector financing and commercial risk, which is the hallmark of the build-own-operate idea.

On paper the concept seems ideally suited to developing countries whose borrowing capacity following the debt crisis is limited. It requires contractors to put equity into projects they undertake. Those projects are expected to stand on their own feet commercially so lenders can be repaid out of revenues and the state does not become financially involved.

In practice, however, such deals have been difficult to get off the ground largely because the private sector has been unwilling to take the risk on to its own books. Pakistan's scheme is carefully designed to alleviate much of this concern.

It is strikingly different from that proposed by Turkey both because of the active involvement and encouragement of the World Bank and also because it requires the projects to be 25 per cent financed with equity, compared with just 10 per cent in Turkey.

Coupled with the funds being put in by the World Bank, this should reduce the risk to other lenders and make them more willing to participate.

The World Bank's involvement in such private-sector schemes is unusual for an organisation that traditionally lends only to governments. It stems from a realisation not only that there was a pressing need to develop Pakistan's energy sector, but also that the country lacked the resources to do this for itself.

As a result, Bank officials have been working on what is being called a "private sector window," to enable it to channel finance to the projects. This is a specially designated fund, a novel idea which has yet to be formally approved by the Bank's board and is still officially classified as a private initiative on the part of the officials involved.

It involves some $150m of World Bank money and some $470m in grants and concessionary loans from governments. The money will be lent to the Government of Pakistan and on-lent to the projects to provide 30 per cent of the total cost required.

With 25 per cent of equity being put up by contractors and private sector interests, some 55 per cent of the project cost will have been covered before private lenders and export credit agencies are approached. The risk to them will thus be much lower than under the Turkish scheme. The hope is that they will be correspondingly more willing to become involved.

Moreover, the World Bank funds will have a long maturity of 23 years, including an eight-year grace period before repayment of principal begins. This will reduce the cash-flow burden from debt servicing in the early stages of the projects and allow them to charge tariffs that are commercially acceptable in the Pakistani domestic market.

How Pakistan will finance its energy projects

Source		Amount($m)
World Bank Window		620
of which:		
World Bank	150	
*Governments**	470	
Private Sector Equity		512
Private Sector Loans		923
Total		2,055

*Contributions expected from: Japan, US, UK, Italy, France, W.Germany

Source: World Bank

Mr Ibrahim Elwan, the bank's official responsible for energy projects in Pakistan and Turkey, said the World Bank was this week due to discuss a special security package for commercial lenders with official export credit agencies. One element of this, according to Hawker Siddeley, will be a commitment by the Pakistani Government to reimburse the project if the state-owned electric utility fails to meet fully its commitment to purchase power from its station.

Hawker Siddeley is not the only company to receive a letter of intent from the Pakistani authorities. Others include Xenel, a Saudi Arabian company, which is to be responsible for construction by Mitsui of Japan of a 600MW power station.

Pakistan is also reviewing other proposals, including a $165m offer from Pakland of Pakistan and Pyropower and Bechtel of the US for 132MW in coal-fired stations; 80MW in generating capacity worth $113m from INTRAG of the US and 120MW from Fecto of Pakistan in a $70m deal in which Switzerland's Sulzer would participate.

In preparation are further proposals from Deutsche Babcock for a $207m coal-fired power station, and from Kumagai Gumi and Davy McKee jointly with the state-owned Pakistan Mineral Development Corporation for a $180m coal mine development. None of the projects has progressed beyond the letter of intent stage but it is assumed that they stand a good chance of realisation. This will raise new questions about whether the "build-own-operate" concept needs a substantial push from the official sector to get under way. Mr Elwan regards Pakistan's scheme as a pilot scheme which could have applications in other countries.

As for Hawker Siddeley, it is in no doubt that the Bank's involvement made its negotiations with Pakistan much easier. Mr Brian Page, managing director of Hawker Siddeley Power Engineering, says the business of constructing power stations is easy compared with financing them.

"The major thing in project work overseas now is financial engineering. If you can't do that, you can just forget it," he says.

Prague buys S Korean ships

DAEWOO Shipbuilding and Machinery has won an $81m (£43.5m) order from Czechoslovakia for three bulk carriers, AP reports from Seoul. This is the first time a South Korean shipbuilder has received an order from an East European nation.

Daewoo will deliver two 64,000-ton bulk carriers by the end of next year and another by April 1990, the officials said.

Elin wins $6.5m Iran deal

BY JUDY DEMPSEY IN VIENNA

ELIN, the Austrian state-run electrical and electrical engineering group is to supply the Ourmia cement company in northern Iran with a complete electrical system for its production lines.

The deal, worth $6.5m (£3.5m), involves Elin supplying switchgears, transformers, low and high voltage drivers and welding units as well as ground insulation and lighting protection to the company. Elin will also supply special power and control cables.

The new equipment means that the Ourmia cement company will be able to increase its daily production significantly. One of the lines will have a production capacity of more than 2,300 tons of bricks a day.

Elin, which has equipped seven cement works in Iran, said there were no problems with payments.

Moscow hotel paintings dispute

A ROW has broken out between YIT, the Finnish construction group, and Intourist Soviet travel organisation over renovating the Hotel Metropol in Moscow, writes Olli Virtanen in Helsinki.

The dispute follows the discovery of historical paintings and decorations on walls and ceilings. YIT, asked to restore them, says the work is not covered in the $100m contract.

Boeing study shows older jets need extensive repairs

BY RODERICK ORAM IN NEW YORK

A STUDY by Boeing is showing that its older jet airliners are prone to corrosion damage that requires extensive repairs. It stressed, however, that the aircraft, typically approaching the end of their 20-year design-life, were safe.

So far Boeing engineers have examined about 50 aircraft during regular maintenance by airlines around the world. Most were 737s, which began to enter service in 1968, while the others were a mix of 707, 727 and 747 aircraft.

The company, which began its "Ageing Fleet Evaluation Programme" 17 months ago, will examine some 80 aircraft in its continuing research. Overall, it has found that "airplane structure and systems were generally in good condition," a senior Boeing official said. The problems were more serious than cosmetic but they did not pose a safety question.

The problem of corrosion was dramatically highlighted late last month when the top section of fuselage of a 19-year-old 737 was stripped off during a flight over Hawaii. One person was killed and more than 60 injured but the Aloha Airlines aircraft managed to land safely at Maui airport.

The US Federal Aviation Administration ordered inspection of older 737s which has so far revealed cases of corrosion, delamination of materials and cracks. Design lives are frequently exceeded because aircraft prove more durable than their designers expected.

Toronto summit agenda change

BY PHILIP STEPHENS IN OTTAWA

LEADING INDUSTRIAL states have agreed to reshape the agenda of the seven-country summit in Toronto next month in an attempt to ensure a closer focus on economic issues.

The seven – the US, Japan, West Germany, France, Britain, Italy and Canada – have agreed to add an extra half-day at the start of the summit, when the leaders will concentrate solely on economic issues.

At previous summits, political issues such as East-West relations have tended to dominate discussions between heads of state and government, while economic policy has been left largely to finance ministers.

The new format for Toronto appears to be part of a strategy designed to reassure financial markets of the seven's continuing commitment to economic policy co-ordination. Canadian officials preparing the summit acknowledged yesterday, however, that it would not bring any big new policy initiatives to reduce international trade imbalances.

With macro-economic policy co-ordination effectively immobilised, the seven hope to announce an extension of their co-operative efforts to embrace structural, or micro-economic, and trade policies.

Dr Sylvia Ostry, the senior Canadian official for summit preparation, said yesterday her government was seeking an accord on much greater joint monitoring, or surveillance, of national trade and structural policy.

In particular, Canada hopes that summit leaders would agree to give the Organisation for Economic Co-operation and Development a formal role in monitoring governments' progress in removing structural rigidities in their economies.

Byrd warns over INF ratification

By Nancy Dunne in Washington

SENATOR Robert Byrd, the Senate majority leader, yesterday warned the White House that a veto of the US Trade Bill could delay ratification of the intermediate-range nuclear forces treaty.

The bill has passed both houses and ought to be on the way to President Reagan's desk. However, Democratic leaders are revising it through an unusual procedure generally reserved for technical corrections, in hopes of building support for the measure.

The White House has asked the Senate to ratify the INF treaty by May 29 when President Reagan goes to Moscow for a summit with Soviet leader Mikhail Gorbachev. Sen Byrd said a trade bill veto by the President would take precedence over the treaty.

He said Mr Reagan might be debating a veto override on May 29 with the treaty still not approved.

Senator Byrd also warned that his colleagues "ought to disbelieve the bunk they've been getting from the White House" that a more moderate version of the Bill would pass if the president's veto was sustained.

Meanwhile, Mr Paul Nitze, Mr Reagan's special adviser on arms control, said the chances for an early treaty by the US and the Soviet Union to halve strategic nuclear arms would slip unless a pact was agreed well in advance of the US election in November.

Win by Borja calms Ecuador

BY ROBERT GRAHAM, LATIN AMERICA EDITOR

THE TRIUMPH of Mr Rodrigo Borja, the Social Democrat candidate in the second round of the Ecuadorean presidential election on Sunday, has averted a serious polarisation of the country.

Mr Borja, a 52-year-old law professor who heads the leftist coalition, Democratic Left, beat off a strong challenge from Mr Abdala Bucaram. The result was closer than predicted with Mr Borja obtaining 47 per cent of the first two thirds of the votes counted, and Mr Bucaram 40 per cent.

Mr Bucaram waged a rabble-rousing campaign based on a curious cocktail of populist socialism, religious fanaticism and ill-defined authoritarianism. The Ecuadorean military had hinted that, if he were to win, it might feel obliged to intervene.

The instability factor appears to have favoured Mr Borja, who narrowly failed to win the 1984 election against Mr León Febres Cordero, who will step down as president on August 10.

During his campaign, Mr Borja promised to raise Ecuador's international profile, roll-back some of Mr Febres's more free-market policies at home and take a tougher attitude on the country's $9.2bn foreign debt. However, he emphasised dialogue, not confrontation, with creditors.

The Democratic Left, which Mr Borja founded, is regarded as the best organised party in Ecuador and controls 30 of the 71 seats in Congress.

Borja: Emphasised dialogue

Banks reopen in Panama after 9 weeks

LONG QUEUES formed outside banks in Panama yesterday as people waited to make limited withdrawals for the first time in more than nine weeks, AP reports from Panama.

A government order closed banks on March 3 after a run on savings by depositors and the imposition of US economic sanctions in an effort to force Gen Manuel Noriega to resign as chief of the military and effective head of government.

Gen Noriega was indicted in the US in February on drug-trafficking charges, which he has denied.

The US sanctions helped cause a severe cash shortage in Panama, which has the US dollar as its main currency.

Further strikes ordered by Brazilian workers

BY IVO DAWNAY IN RIO DE JANEIRO

STRIKES IN Brazil's private sector engineering companies looked set to increase yesterday as the 360,000-member metalworkers' union of the key industrial state of São Paulo ordered new stoppages to demand a pay rise 10 per cent above the inflation rate.

Mr Luiz Antonio de Medeiros, union chairman, announced the industrial action after the breakdown of long talks with employers. Metalworkers in Rio de Janeiro state have been on strike for a week seeking a 60 per cent rise and a shorter work week.

The rising tide of industrial militancy is worrying the government, already under attack for its attempt to freeze inflation-indexed pay rises for all public sector workers.

Following national protests last week, labour tribunals have judged the measure unconstitutional, ordering pay rises in several State companies.

President José Sarney called in Mr Marcelo Pimentel, Chief Justice of the Supreme Labour Court, on Sunday, in a bid to win backing for the two-month freeze. After three hours of talks, though, Mr Pimentel apparently remained insistent that the law requires public sector workers to enjoy equal treatment with those of the private sector.

The apparent impasse has left the government embarrassed over how to achieve its target of reducing the public sector deficit to 4 per cent of gross domestic product.

Extradited general arrives in Argentina

A RETIRED Argentine general, extradited from the US, arrived in Buenos Aires yesterday to face trial on charges of murdering at least 39 people, Reuter reports from Buenos Aires.

Federal police chief Juan Pirker said Carlos Suarez Mason was placed in a maximum security jail.

A US federal judge last month ordered Mr Suarez Mason, 64, extradited to Argentina to face charges of murdering political prisoners during the 1976-83 military regime. He had been held in custody since his arrest in January 1987 in California.

The Argentine government has accused Mr Suarez Mason of responsibility for 43 homicides and 24 kidnappings.

Tim Coone reports on moves which could embarrass the Sanguinetti government

Uruguay seeks fish in Argentine waters

THE WIDE River Plate estuary which divides Uruguay from Argentina is the thick red mud colour of weathered brick. Where it meets the clearer waters of the Atlantic Ocean, the detritus washed out from the continent serves as the base of the food chain which attracts shoals of southern hake every year to migrate north from the South Atlantic and Falkland Islands. Argentine and Uruguayan trawlers lie in wait.

Under a common fishing agreement signed in 1974, the zone stretching out to the 200-mile limit is shared by both countries' trawler fleets. But the boom in the South Atlantic fisheries since 1982 has caused a decline in catches in the River Plate region and the $100m-a-year Uruguayan fishing industry is about to take a step which could deeply embarrass the Government of President Julio Sanguinetti and throw a new light on the diplomatic battle over the Falkland Islands.

"Either we get a fishing agreement with Argentina to fish in their waters or we will have to ask for fishing licences from Britain in the Falkland Islands," said Mr Americo Deambrosi, president of the Uruguayan Trawlermen's Association.

He explained that Uruguay's trawler fleet and shore-processing capacity is under-utilised by 25-30 per cent. Further expansion has been halted and plans for joint fishing agreements with the USSR have been shelved because the present catches are insufficient to keep Uruguayan trawlers fully employed.

Last year a buoyant Uruguayan economy experienced growth in almost every sector except fishing, which contracted by 1.1 per cent. In Argentina by contrast, fishing is virtually the only sector which is growing – last year at a phenomenal 20 per cent.

Later this month, senior Uruguayan officials are due in Buenos Aires to begin discussions on the possibility of giving Uruguayan trawlers greater access to Argentina's 200-mile exclusive economic zone. It is a move likely to be fiercely resisted by the Argentine fishing lobby, the most technologically-backward of which depends entirely upon the southern hake fisheries.

If the talks fail, Latin American solidarity on the Falkland Islands issue is likely to suffer its first major setback since the 1982 Falklands War.

A senior diplomat at the Uruguayan Foreign Ministry said his government wanted to be able to preserve its foreign policy stance on the Falkland Islands dispute: to support Argentina's position on the basis of peaceful negotiations. "Such an application for fishing licences (in the Falklands) would be an obstacle," he admitted, but added that it would also be difficult, if not impossible, to prevent any private Uruguayan company from making such an application.

However, at least two Uruguayan companies are already involved in the transhipment of squid catches from Asian trawlers to boats in Berkeley Sound, just north of Port Stanley in the Falkland Islands. The same boats call at Montevideo and pick up stores and foodstuffs, not only for the trawlers, but also for the 2,000 inhabitants of the islands.

According to Mr Jorge Fernandez, the president of Christophersen Shipping in Montevideo, each month eight or nine ships call at Montevideo and then head for the Falkland Islands. He estimates that the value of services provided by Montevideo port to the South Atlantic fishing fleet amounts to $35-40m per year.

Although he officially denies it, his company is one of those involved in squid transhipment in Berkeley Sound through its 10 per cent ownership of Sullivan Shipping Services, 51 per cent of which is owned by the Falkland Islands Development Corporation.

The lucrative contracts have become a source of cutthroat competition with another Uruguayan-owned company, Falklands Squid Company.

Mr Jose Carlos Pena, a former central bank president of Uruguay, is now the president of the Uruguayan shipping agency which owns Falklands Squid (and is itself owned by an Argentine company). He accuses Sullivan of "gross unethical conduct" in trying to monopolise the Falklands transhipment business which he has built up with his son over the past year.

The dispute centres around a ship, the MV Blakeney, which Mr Pena sold to Sullivan earlier this year, on condition that Sullivan would provide launch and transhipment services from Port Stanley to Berkeley Sound.

A subsequent telex from Sullivan to Mr Pena states: "We are the exclusive agents in the Falkland Islands for all vessels with which you are associated and you shall not be at liberty during the concurrency of our arrangement with you to employ or engage any other agent in the Falkland Islands so long as we are willing to provide agency services for the vessels."

Mr Pena is so enraged by the incident that expletives worthy of a paratrooper escape his otherwise controlled language. To win business and goodwill in the islands, his company has been transporting goods free of charge from Montevideo to the Falklands. This goodwill is now threatened, he says, by Sullivan's attempts to be the exclusive agent for the shipping lines which Mr Pena represents out of Montevideo. "It is a simple matter of business competition," said Mr Fernandez of Christophersen.

There are now some 500 deep-sea trawlers operating in the South Atlantic, including the Falkland Islands Conservation Zone, Argentina's 200-mile limit and international waters outside both zones but over the continental shelf. The size of the annual catches, now probably approaching 1m tonnes, is valued at well over $1bn.

A defiant telex sent last month to Sullivan Shipping by Mr Pena makes the point succinctly: "We are in the Falklands and we intend to stay in the Falklands."

US group boosts Ulster lingerie capacity by 22%

BY ALICE RAWSTHORN

MORE THAN 120 jobs will be created in Northern Ireland over the next three years through a £1.25m investment by Warnaco, the US lingerie group.

Warnaco plans to raise capacity by 22 per cent at its two established Ulster production plants, in Co Armagh.

It also intends to set up a European head office for its unbranded lingerie in Ulster, to co-ordinate development of its unbranded activity across Europe.

Hitherto the Ulster plants, which employ 396 people, have concentrated on making brassieres and foundationwear for Marks and Spencer, the multiple retail group.

Warnaco is now starting to supply unbranded merchandise to retailers in France and Spain, to be made in the Ulster factories.

Ms Linda Waehner, Warnaco president and chief executive, yesterday said the company hoped to introduce its unbranded products to other European markets. If it succeeded, the Ulster factories' capacity would be raised further and more jobs created.

The Warnaco investment is supported by the Industrial Development Board for Northern Ireland, which is playing an active role in encouraging the expansion of Ulster's clothing industry.

In recent months textile groups, including Courtaulds and Coats Viyella, have announced expansion programmes.

Yesterday the IDB published a report on the prospects for the clothing industry in Ulster. The report was commissioned from Kurt Salmon, the international textile consultancy.

It estimates that 2,500 jobs could be created in clothing over the next five years from a £25m investment over three years. Such an investment would raise output from £387m last year to £500m in 1992.

The report says the best prospects for Ulster's clothing industry lie in nurturing new markets in the European Community before 1992, when trades and tariffs will be harmonised.

It emphasises that Ulster companies must invest in design, marketing, training and high technology to become more competitive.

OFT accepts undertaking over use of bus station

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

BUS COMPANIES that exclude competitors from their bus stations might be in breach of competition law, Sir Gordon Borrie, Director-General of Fair Trading, has warned.

Sir Gordon said the OFT had accepted an undertaking from Southern Vectis Omnibus that competitors would be allowed to use the company's bus station at Newport, Isle of Wight.

The OFT had threatened to refer Southern Vectis to the Monopolies and Mergers Commission after a complaint by Gange Taxis and Minicoaches, of Cowes, Isle of Wight, that it was refused access to the station.

The undertaking, which lasts for 10 years, means Southern Vectis will not be referred to the commission, provided the company complies with it.

Sir Gordon's investigation of Southern Vectis was the first carried out by the OFT into an operator of local bus services since the deregulation of bus services in October 1986.

Sir Gordon said: "Exclusive use of a major bus station by a company which also has a dominant position in supplying local bus services can frustrate the emergence of competing bus services."

He added: "I hope that other companies owning bus stations elsewhere will similarly agree to admit other bus operators to those stations, where they have not already done so."

Economic cost of food poisoning 'enormous'

By Lisa Wood

THE NUMBER of reported cases of bacterial food poisoning in the UK rose by 50 per cent between 1982 and 1986, according to a report published by the University of Bradford.

The report, from the University's Food Policy Research Unit, said the economic costs of food poisoning – which on official figures affected 22,000 people in 1986 – were enormous. An outbreak of botulism in Birmingham in 1976, for example, cost the company involved about £2m, while an outbreak of salmonella at a baby food factory in 1985 pushed the business affected into voluntary liquidation.

"The consequences for food companies are potentially disastrous," said the report. "Sales of other products marketed under the same brand may be affected adversely even though they are manufactured in quite separate plants."

The report said the public relations response of companies to outbreaks of food poisoning was crucial. It said: "Companies must be able to demonstrate that they are behaving in a responsible fashion, and they are taking all practical steps to alleviate the problem."

Food manufacturers, the report said, should do more to tell the public what they are doing, a move which in turn would raise the level of food hygiene.

The current tendency to remove preservatives from food could be counterproductive, claimed the report. "Undoubtedly," it said, "there are cases where improvements in processing technology and in packaging mean that preservatives become superfluous.

"But there are other examples where preservatives are being taken out on rather questionable grounds, so that the shelf life of products is being shortened as a result."

The report said preservatives were being removed because of public concern and pressure from retailers, even though on safety grounds there was little cause for concern. It suggested that their removal might be ill advised because of the increased risk of food poisoning.

A delivery milestone marks how far a jet engine maker has come, **Michael Donne** reports

RB-211 powers Rolls-Royce back to strength

OVER THE next few days, the Rolls-Royce RB-211 engine will reach a milestone with the delivery of the 500th unit for Boeing, the US jet airliner builder.

If deliveries of RB-211s to Lockheed of the US for TriStar airliners are taken into account, the total number of deliveries of all versions is 1,600. In addition, Rolls-Royce holds firm orders for another 255 RB-211s, with options on 194 more, making a total of 2,049 engines.

The engine, which in its original 22B version pushed Rolls-Royce into bankruptcy in 1971, has generated nearly £4bn of business. It remains the core of the company's rapidly expanding civil engine business.

That is justification enough for the decision in the dark days of 1971 to continue work on the RB-211, but Rolls-Royce believes that new business still to come will far outstrip the achievements to date. Rolls-Royce estimates that from now to the year 2006 the world market for jet engines of all types will amount to £110bn.

The company is cautious about assessing what share of that it can win in competition with its rivals, General Electric and Pratt & Whitney of the US, but in an attempt to win as much as possible Rolls-Royce is offering versions of the RB-211 for a variety of aircraft above about 180 seats, which are likely to account for more than three quarters of the total world market.

In the smaller category of 75-100-seat aircraft it is offering the smaller Tay engine, development of which owes much to the technology emerging from continued research on the RB-211.

The earliest version of the RB-211, the 22B of about 40,000lb thrust, which caused all the original financial problems, is still generating substantial business in spares for nearly 250 three-engined Lockheed TriStars in which it is installed.

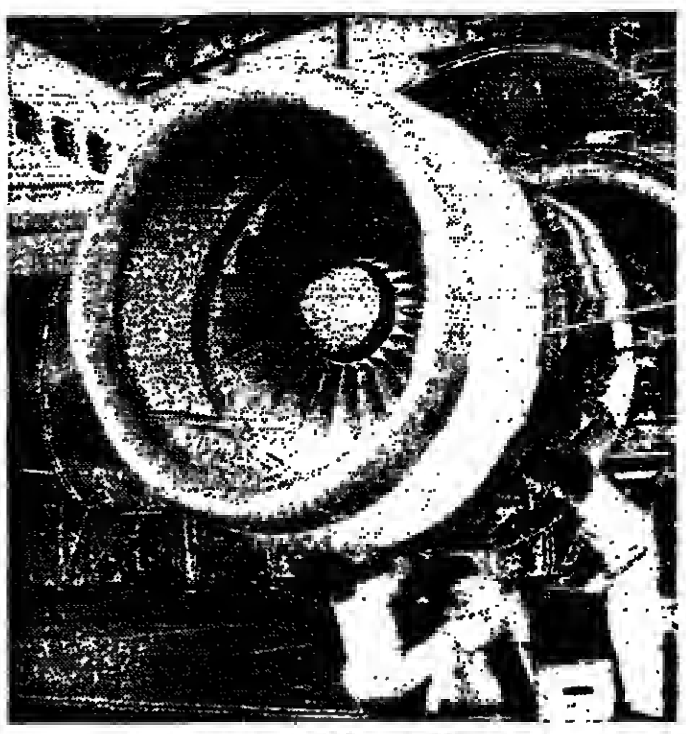
From the 22B, however, the RB-211 has been progressively improved and enlarged. The 535C and E4 versions, also of about 40,000lb thrust, are well established in an expanding market – the twin-engined Boeing 757. This is basically a short-to-medium-range airliner but is finding a new role on long-distance routes.

The biggest engine in the RB-211 series, the 524, of about 50,000lb thrust and above, has not only won an expanding market niche in the Boeing 747 long-range jet but also powers the Boeing 767 twin-engine medium-to-long-range airliner.

Rolls-Royce is already expanding this base, as part of its marketing strategy, which is simply to get all of its civil engines installed on as many different types of airliner as possible.

That is essential, for General Electric and Pratt & Whitney are doing the same and in some markets they have a long start over Rolls-Royce – for example, in the various models built by Airbus, a market that emerged in the 1970s when Rolls-Royce was still struggling back after the bankruptcy and could not afford too many development programmes.

The character of the world airliner market is also changing. Airlines are increasingly anxious to carry greater payloads per flight, because of the growing congestion at airports which is reducing the availability of take-off and landing slots. At the same time, more passengers want to fly longer distances.



Roaring to go: Rolls-Royce's RB-211 engine

To meet such demands, all the "big three" engine builders are developing more powerful versions of their engines. Rolls-Royce itself is widening the RB-211 family. The latest version is the 524G of 58,000lb thrust. The first production 524G is the engine now being delivered to Boeing, destined for the latest model of the long-range 747, the -400, for British Airways, Qantas of Australia and Cathay Pacific of Hong Kong.

A more powerful version, the 524H, of 60,600lb thrust, is under development for service from next year in the fleet of 11 Boeing 767-300 twin-jets ordered by British Airways. An upgraded version of this engine, offering 63,000lb thrust, is also planned.

Probably the most significant development will be the 524L, now in its preliminary design stages, which will start with a power output of 65,000lb thrust but be capable of expansion to well over 70,000lb.

That engine is already being offered for such forthcoming airliners as the European Airbus A-330 twin-engined short-to-medium-range jet and the McDonnell Douglas MD-11 medium-to-long-range tri-jet, both under development, as well as for bigger versions of the 767 being planned by Boeing.

All those aircraft will need every pound of thrust the engine builders can provide, especially the twin-engined 767. This is because it is being used increasingly in what is called "Erops" – extended range operations over water – where the safety rules require that if one engine fails the aircraft can still fly for up to 120 minutes on the remaining engine to reach the nearest airport.

Rolls-Royce is discussing the 524L with airlines worldwide, as well as with all three big jet builders, Airbus, Boeing and McDonnell Douglas.

One possible buyer is British Airways, which needs a long-range airliner such as the MD-11 to replace its aging Lockheed TriStars and would prefer a Rolls-Royce engine in that aircraft.

Thus, both Rolls-Royce and the RB-211 engine have come a long way since that dismal day in early 1971 when the bankruptcy stunned the world.

The recovery has been long and painful but it is a tribute to the technological brilliance of the original design that the engine has achieved its current financial and operational success, opening the way to even greater achievements over the next 20 years.

BA extends cheap US fare deal

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AIRWAYS is extending to the end of June its cheap transatlantic fares which cut up to £297 off round-trip rates between London and all BA's US destinations.

Originally launched on April 1, and due to end last Saturday, the cheap rates have been in strong demand, encouraging BA to extend their sale for outbound travel up to June 30 and for return journeys until July 7.

The fares are available to 18 destinations from London, including some from Gatwick, and two from Manchester. Passengers must book at least seven days in advance, paying in full then. The fares are not refundable if the ticket is cancelled.

● British Airways is seeking what it believes is the first licence to operate an intra-European service.

It has applied to the Civil Aviation Authority for a licence to operate from Manchester to Lyons and then on to Milan, including full passenger carrying rights between the British, French and Italian points.

That would mean that for the first time BA would be able to pick up passengers in Lyons and take them to a third country.

The right to operate intra-European services on regional routes was agreed at the beginning of this year with the signing of the European Community Air Transport Policy. Designed to encourage regional development, it allows discounts as well as intra-European services where existing links are poor or non-existent. It does not cover services between national capitals.

BA plans to begin operating its Manchester-Lyons-Milan service daily from this winter with BAC 1-11 aircraft.

Cardiff airline takes delivery of two Boeings

BY ANTHONY MORETON, WELSH CORRESPONDENT

INTER EUROPEAN Airways, a small Cardiff airline devoted to the holiday charter market, has taken possession of two new Boeing 737-300 aircraft.

One, to be based at Cardiff, will operate in addition from other airports including Bristol and Birmingham. The second will be based exclusively at Belfast this summer.

Inter European is a wholly owned subsidiary of Aspro Holidays, a tour operator set up in 1979 by Mr Michael Aspron and his sons Mr Chris Aspron and Mr George Aspron. The airline began operations last year with one Boeing 737-200 on lease.

Mr Chris Asprou, joint managing director, said the company expected to carry about 120,000 holidaymakers to European destinations between now and the end of October.

The aircraft are on five-year leases which have been funded from internal sources. The company has had help from a Welsh Office grant and a soft loan from South Glamorgan County Council, Mr Asprou said.

FT LAW REPORTS

Sleeping arbitration rule still stands

FOOD CORPORATION OF INDIA v ANTCLIZO SHIPPING CORPORATION
House of Lords
(Lord Bridge of Harwich, Lord Brandon of Oakbrook, Lord Brightman, Lord Ackner and Lord Goff of Chieveley):
May 5 1988

WHERE THE facts of a case unassailably establish that an arbitration was not abandoned, the court cannot review the authorities relating to the purely academic point as to whether parties to an arbitration have a mutual obligation to proceed to final conclusion.

The House of Lords so held when dismissing an appeal by the Food Corporation of India, charterers of the Antclizo 1, from a Court of Appeal decision (*[1987] 2 FTLR 114*) that an arbitration claim by shipowners, Antclizo Shipping Corporation, had not been abandoned by mutual consent.

LORD GOFF said that in *Bremer Vulkan [1981] AC 909* the House of Lords rejected an argument that where an arbitration had been allowed to go to sleep for many years it might be held that the arbitration agreement had been repudiated. Lord Diplock concluded that a mutual obligation rested on both parties to co-operate in proceeding with the arbitration.

The effect of that decision had provoked serious dispute among the whole commercial community. It had been suggested that the mutual obligation to proceed bore no relation to commercial reality. Where a claimant did not actively pursue his claim it was the usual common sense practice of the other party to do nothing, in the hope that the claim would die a natural death.

Attempts had been made to outflank the *Bremer Vulkan* decision by invoking other legal concepts, including frustration and mutual abandonment.

Two new suggestions had since been advanced: first, that a term should be implied into the arbitration contract to the effect that the right to proceed might lapse after expiry of a reasonable time; and second, that the court might exercise its power under section 1 of the Arbitration Act 1950 to give leave to revoke the authority of the arbitrators, coupled with an order under section 25(2)(b) that the arbitration agreement should cease to have effect with regard to the relevant dispute.

Neither of those solutions had been explored in litigation.

In the present case all members of the Court of Appeal expressed their anxiety about the present state of the law. There was little doubt that they gave leave to appeal in the hope that the House might conduct a full-scale review of the authorities and of the mutual obligation.

The House should not embark on a review unless it felt free, if necessary, to depart from the reasoning and decision in *Bremer Vulkan*. Nor should it embark on a review unless satisfied that it would be relevant to resolution of the dispute.

The House of Lords had repeatedly stressed that it would not embark on an inquiry into an issue which was only of academic interest. *A fortiori* it should not do so where the inquiry involved review of a previous House of Lords decision, because it could not be right to hold *obiter* that such previous decision was wrong.

On the findings of fact in the present case, which were unassailable, the appeal was bound in any event to fail. Therefore it was not an appropriate case in which to conduct a review of the earlier authorities. For that reason alone the appeal must be dismissed.

The facts were that in the early 1970s the charterers chartered a large number of vessels to carry cargoes of grain and other commodities to Bombay and other Indian ports. Some of the vessels were in the same beneficial ownership and some were not. Different charters came to be referred to by the name of the vessel and the serial number of the voyage.

The charterparties all contained similar provisions for calculation of laytime, demurrage and despatch. The charterers and a number of different owners took different views as to the effect of those provisions when a vessel had to be lightened before discharge.

By September 1975 there were some 57 charters in which a dispute had arisen. Arbitrators had been appointed in about 10 cases.

The present appeal concerned only the charter known as Antclizo 1. The charterparty was for a single voyage from the US Gulf to Bombay. The vessel reached Bombay at the end of 1973. In October 1974 the owners sent the charterers a calculation showing demurrage due of nearly $187,000. No payment was made and arbitrators were appointed in December 1974 and January 1975. In March 1975 the charterers, applying their own interpretation of the charterparty, calculated that far from any demurrage being due to the owners, a considerable sum of despatch had been earned by the charterers at loading and discharge ports.

The same differences of interpretation were already becoming apparent on other charterparties and by March 1975 arbitrators had been appointed in respect of Lepanto 1. Over the next 18 months no step was taken in the Antclizo 1 arbitration, but a series of letters was written concerning other charters on which the same dispute had arisen. At some point the charterers decided internally to adopt no general policy with regard to the disputes, but to deal with the claims on a case by case basis. The Lepanto 1 arbitration appeared to have been resolved by agreement.

Meanwhile Antclizo 1 remained inactive. But there had been discussion of Cleon 2 and the same arbitrators were appointed as in Antclizo 1. In June 1976 the owners's solicitors wrote to the charterers saying there had been a suggestion that the parties would agree to be bound by the results of the Lepanto and Antclizo arbitrations.

The charterers did not reply on that point. Instead they took a technical point that one of the arbitrators had not been validly appointed in Cleon 2. A similar issue was raised in two other cases which came before the Commercial Court, the *Delian Leto* and the *Delian Spirit*. In those cases the charterers' technical objection was overruled.

While the court proceedings were in train no progress was made with Cleon 2, nor with Antclizo 1. In November 1979 the charterers agreed to abandon the technical point and to proceed on the merits in Cleon 2. In February 1981 the charterers agreed to pay the sum due to the owners under the Cleon 2 award.

Another award was made in the form of a special case in respect of the Savvas, to the same effect as the award in Cleon 2. It was set down for hearing in the Commercial Court. The award was upheld and an appeal by the charterers was dismissed. Related issues were determined against the charterers in *the Apollon* and *the Delian Leto*.

By letter of April 21 1983 the owners called on the charterers to pay the demurrage and the balance of freight due, indicating an intention to proceed to an arbitration award if necessary. By that time both arbitrators had, due to a misunderstanding, destroyed their files on the arbitration.

It was never suggested that Cleon 2 should be regarded as determinative of the Antclizo 1 dispute. The award in Cleon 2 was accepted by the charterers in February 1981, but even then more than two years passed before the owners sought to revive the Antclizo 1 arbitration in April 1983.

Mr Justice Evans made the following findings of fact: (1)that the charterers had not succeeded in establishing the existence of an unequivocal statement that they were entitled to treat the reference to arbitration as having been abandoned; (2)that the charterers were not reasonably entitled to assume that the agreement to arbitrate was agreed to be abandoned; (3)that the charterers did not in fact form the view that the owners had decided not to pursue the matter further with the necessary degree of finality, but left the matter in the air; (4)with regard to an allegation of estoppel, no detriment to charterers had been established.

The Court of Appeal declined to interfere with any of the judge's findings. It was right in affirming his decision that no abandonment could be inferred from the facts.

It followed that it was not an appropriate case for reconsideration of the principles on which abandonment or estoppel could be inferred.

Mr Boyd for the charterers sought leave to argue points which had not been raised below, on repudiation, frustration, implied term, the right to a fair hearing, and on the new argument based on sections 1 and 25 of the 1950 Act.

All those points could only be considered as a whole, together with the question whether *Bremer Vulkan* was rightly decided. Leave to pursue the new points was refused.

The appeal was dismissed.

However, grave concern had been expressed by the Court of Appeal about the law as it now stood with regard to arbitrations which had been allowed to go to sleep for many years; and it was plain that it was expressing a concern felt generally in the City. It might be that the problem could be dealt with most expeditiously and clearly by legislation conferring a power to dismiss claims in arbitrations for want of prosecution. If so, in the interests of all concerned, the sooner the matter was brought before the legislature for consideration the better.

For the charterers: Stephen Boyd QC and Bernard Eder (Zaiwalla & Co)

For the shipowners: Anthony Clarke QC and Charles Haddon-Cave (Holman Fenwick & Willan)

Rachel Davies
Barrister

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P&O dismisses draft deal between unions, Sealink

BY JIMMY BURNS IN LONDON AND LAURA RAUN IN AMSTERDAM

P&O, the ferry company, yesterday appeared braced for for a long war of attrition with the National Union of Seamen despite efforts by Sealink, its main cross-channel ferry rival, to reech an agreement with the union.

P&O described a draft agreement reached by Sealink and NUS leaders at the weekend as "irrelevant" to its own plans of getting its ships back to sea using crews not recognised by the union.

The company's rejection of the possible Sealink deal as a factor in the resolution of its own 14-week-old dispute with the NUS came as the union's ferry port stewards from all over the country met to discuss Sealink's offer. Lorry drivers, meanwhile, blockaded the ports of Dover and Calais in protest at the strike.

The meeting last night at the TUC's London headquarters considered an offer from Sealink which may lead to the end of all secondary action at British ports and the lifting of the sequestration of the union's assets.

Under the proposed deal, Sealink has promised to employ as temporary, casual workers on two cross-Channel ferries some 450 of the 743 Dover seamen sacked by P&O during the dispute over operating costs and working practices.

Sealink yesterday agreed to extend its 10 am deadline for acceptance of the deal on the understanding that the TUC meeting would endorse it.

The company, however, let it be known that it was facing considerable commercial pressure to draw np alternative "contingency plans" if the NUS rejected its proposals.

NUS leaders are believed to be anxious to reach e deal with Sealink because of the operational difficulties they face after sequestration. However, last night's meeting was expected to be stormy, with hardline union organisers from Dover, on the south coast, Liverpool, in the north-west and Harwich on the east coast, along with some Scottish ports, supporting further nationwide industrial action "in defence of the union."

There were signs last night that a split was developing within the union because of the increasingly tough line over the dispute being taken by some local managements. This was denied by Mr Sam McCluskie, NUS general secretary, as he arrived for last night's TUC talks.

At the seaports, lorry drivers blockaded Dover and Calais, apparently in protest over delays caused by the ferry dispute and the lack of progress in settling the strike.

The drivers said they had no argument with P&O, Sealink or the Dover Harbour Board, but blamed NUS members for the longdelays they were facing. These, they claimed, were putting at risk the fate of haulage companies and thus their own jobs.

After a meeting with Mr Graeme Dunlop, P&O European Ferries' managing director, the drivers made it clear they were "fed up with being used as a football" between the NUS and the company, and warned they would maintain their blockade unless P&O agreed to resume talks with the NUS to end the dispute.

Bnt P&O's rejection of any negotiated settlement of the dispute was symbolised yesterday by confirmation it had sent an advance party of seamen to join 40 officers in the Dutch port of Flushing where three of its freight ships have been berthed since the beginning of the dispute on February 3.

THE LABOUR Party last night forced the House of Commons into debating the seamen's strike next Wednesday.

After unsuccessfully pressing earlier for an emergency debate on the crisis, Labour decided to switch the subject of the half-day debate they are mounting on Wednesday, from housing to the P&O dispute.

Labour's business managers took this decision after the Speaker (chairman) refused an appeal by Mr Michael Meacher, Labour's employment spokesman, for an emergency debate on the dispute which, he warned, could undermine safety on P&O ferries.

Mr Meacher said: "If the Herald of Free Enterprise were to sail tonight from Zeebrugge, it would have 15 fewer crew than the night in March last year when it went down."

TSB forms offshoot to fund sales of council properties

BY ANDREW TAYLOR

TSB, the broadly-based banking group, said yesterday it was the first financial services group to have created a separate company specifically to assist local authorities transfer up to 4.5m council houses to privately-financed housing bodies.

About 100 out of more than 350 English and Welsh local authorities are considering plans to transfer their housing stock, mostly to housing associations which the Government proposes should be funded through a mixture of private investment and public grants.

At least one council, Ynys Mon on the island of Anglesey in north Wales, is considering a proposal to dispose of its 6,000 council homes to a private company.

Interest has been stimulated by the Housing Bill which will give council and new town tenants the right to switch to private sector landlords. The Bill is due to receive its second reading shortly.

TSB said the private sector could be involved in raising between £30bn to £40bn over the next 12 to 15 years if all local authorities in England, Wales and Scotland were to dispose of their homes to privately-financed bodies, such as housing associations, provident societies or charitable trusts.

TSB was planning to take advantage of this market through a joint venture, Property Investment Company, it had formed with Gardner Information Services the local authority computer software and management systems consultant.

The new company would seek to arrange the raising of private finance through Hill Samuel, TSB's merchant bank subsidiary. The joint venture would advise on all aspects of council house transfer, inclnding advising on the constitution and management of privately-financed bodies which proposed to acquire the council properties.

It would also expect to advise on tenants' rights and on the valuation of the stock to be transfered.

The attitude taken by the Government towards the valuation of the stock being sold could be a major obstacle given that the market value of council homes requiring major repairs could be lower than the debt still owed by the council on the properties.

TSB said larger local authorities might want to sell single estates separately.

James Capel, the stockbroker, and Cipfa Services, the commercial arm of the Chartered Institute of Public Finance and Accountancy, is advising several local authorities on plans to dispose of council homes to privately-financed housing associations.

Several building societies, including Nationwide Anglia, through its Quality Street housing initiative, Woolwich and Abbey National, have expressed interest in acquiring local authority housing.

Owen faces long political haul after election blow

BY PETER RIDDELL, POLITICAL EDITOR

Dr Owen leaving his Westminster office with his wife, Debbie, after resigning last year as leader of the SDP

IF DR DAVID OWEN was a French politician he might be awaiting a call from President François Mitterrand to become Prime Minister. In the US he might have pipped Governor George Dukakis for the Democratic nomination.

However, in Britain he has become increasingly isolated following the break-up of his party's alliance with the Liberal Party. He is now a leader with barely a party, who captures the headlines as a result of coquettish exchanges with Mrs Margaret Thatcher, the Prime Minister.

Last Thursday's local government elections in Britain were a disaster for Dr Owen. His Social Democratic Party won only six seats, compared with roughly 385 for the Social and Liberal Democrats (the Democrats). This was the party formed by former Owenites who wanted a merger with the Liberals. On the SDP's own calculations its candidates averaged 9 per cent of the vote where they stood, and 5 per cent where they were fighting the Democrats.

Plenty of excuses have been offered. The party was re-established only at the beginning of March and did not have time to get going again. The refusal of the Democrats to negotiate electoral pacts in most places was damaging. While the SDP can point to a few districts, such as Gillingham and Liverpool, where this disagreement cost the Democrats council seats, the number was small.

Indeed, the main conclusion drawn by Democrat leaders is that fights with the SDP were relatively unimportant – and Dr Owen's candidates can be largely ignored. This undermines at the first skirmish the SDP's hopes that its candidates would do well enough to force the Democrats to come to the table and negotiate an electoral deal.

In broader terms the split has undoubtedly been damaging. Not only did the centre parties suffer their worst results this decade, but the Democrats also performed relatively worse in previously SDP-dominated seats such as Cambridge, Bath and Stevenage. There the divisions may have undermined the morale and activity of even those who joined the new merged party.

All this leaves the continuing SDP looking rather battered. If there is to be a large centre or third force it will be the Democrats.

Dr Owen's party claims about 30,000 registered supporters, but backing is patchy. Many of the most experienced former Social Democrat activists have joined the Democrats, leaving isolated hard-core SDP groups.

At a national level Dr Owen has his respected lieutenant, Mr John Cartwright, and Mrs Rosie Barnes in the House of Commons, plus a few experienced former MPs, peers and parliamentary candidates, and some wealthy backers. This does not yet add up to a party capable of a national campaign.

The common link is not only suspicion of the Liberals, but also, of course, enthusiasm for Dr Owen. The continuing SDP is more than a fan club for him, but not much more, as its bizarre party broadcast 10 days ago featuring a question and answer session with him showed.

In practice, therefore, almost everything turns on Dr Owen. He is a man of remarkable political talents. As Mrs Thatcher pointed out in a recent Sunday Times interview, Dr Owen has a feel for what is concerning ordinary people, "fundamental things" such as crime and defence, and an awareness of how to present issues sharply. He understands where Britain is going.

Dr Owen is undoubtedly sincere in denying that he would ever become a Tory. He rejects the choice of options between the conservative and socialist way offered by Mrs Thatcher. But his belief in an independent centre, as represented by his SDP looks implausible at present.

Most senior Tories are, however, wary of any suggestion that he might join their party. They are sceptical about what he could deliver apart from himself. Many share Mr John Biffen's Baldwinesque view that Dr Owen would be a destructive force like Lloyd George, "a cuckoo in the nest." Dr Owen has already shown he is uncomfortable with party ties.

So Dr Owen is left with the frustrations of the long haul; battling for media attention and seldom called to speak at prime time in the Commons. He has to hope for a highly fortuitous by-election in one of the few places where his party is well-established and where it will be seen as an acceptable alternative to the Tories when they become unpopular.

Like previous radical nationalists such as Joseph Chamberlain and Lloyd George, Dr Owen faces the problem that nothing can be achieved in the British system without the support of a major party.

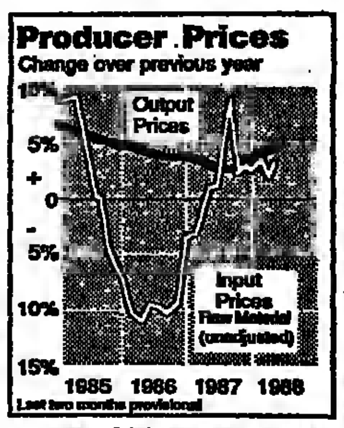
Industry's costs up sharply as sales and credit also show rises

BY RALPH ATKINS

OFFICIAL FIGURES yesterday showed that industry's costs rose unexpectedly sharply in April, while consumer credit and high street sales continued to rise buoyantly in March.

The data combined to dampen suggestions that UK growth may be slowing and to highlight inflationary pressure in the economy.

The Department of Trade and Industry said its price index of materials and fuel purchased by manufacturing industry rose 0.8 per cent in April. It said the rise mainly reflected higher electricity costs and costs of home produced materials bought by food manufacturers.



Seasonally adjusted, the index rose 1.1 per cent in April – the largest monthly rise since July 1987. The index was 2.8 per cent up on April last year.

The increase was larger than forecast by most independent economists and would probably have been even higher if the strong value of the pound had not moderated the cost of imported materials.

Yesterday's figures also show a steady rise in factory gate prices of manufactured goods last month, which pushed the annual rate of increase to the highest level for more than a year.

The DTI's index of factory-gate or output prices was 0.6 per cent higher in April than the previous month. About a quarter of this rise was due to duty changes announced in the March budget.

Output prices in April were 4.2 per cent higher than a year before. That compares with annual rates of 3.9 per cent and 4.1 per cent in February and March.

The figures confirmed the view of many independent economists that UK inflation has reached a low. Higher factory-gate prices are likely to lead to higher retail price inflation in coming months, although manufactured products form only part of the basket of goods and services comprising the retail prices index.

Yesterday's retail sales and credit data from the DTI also indicated possible upward pressure on prices.

Final figures show the index of retail sales volume increased 0.15 per cent in March. That contrasted with earlier provisional figures which indicated that sales fell over the month.

The latest figures show that in the first three months of this year retail sales were 1.5 per cent higher than in the previous three months and 6 per cent higher than the first quarter of 1987.

The strength of sales highlights the buoyancy of the British economy, particularly in the consumer sector. Other figures, also published yesterday by the DTI, show consumers' use of credit to finance spending is not abating and may be accelerating.

The DTI's narrow measure of outstanding consumer credit rose a record £423m to £23.96bn in March. That followed rises of about £300m in January and February.

The figures includes borrowing on credit cards and agreements with building societies, retailers, and finance houses. They exclude lending for house purchases.

Broader quarterly figures, which also cover bank loans on personal accounts and loans by insurance companies, show outstanding credit rose a record £1.51bn in the first three months of 1988 to £37.92bn. This was 4 per cent more than the total outstanding at the end of 1987.

The sharp increase in credit and retail sales reflects consumers' confidence about their financial positions and strong growth in earnings, which continue to outpace retail price inflation.

Some economists, however, fear excessive growth in high street sales may lead to rising imports and increased upward pressure on prices.

UK NEWS

Scots Tory party urged to rethink policies

By James Buxton

THE SCOTTISH Conservative Party, which begins its annual conference in Perth tomorrow after losses in last week's district council elections, was yesterday urged decisively to reject the idea of establishing a Scottish assembly and to emphasise itself as the party of unionism in Scotland.

A discussion paper by the Centre for Policy Studies, the right-wing think tank, says that the Government should re-examine the "haphazard" devolution of administrative powers to the Scottish Office, the Whitehall office responsible for Scotland.

This may mean that some powers would be transferred from Edinburgh back to London to improve efficiency.

Funds for Scotland should be allocated according to needs instead of a set formula under which Scotland receives a fixed portion of Government expenditure. This, the authors say, results in Scotland receiving expenditure per head which is 28 per cent higher than that for England.

The paper, by Mr Liam Fox, Mr Mark Mayall and Mr Alistair Cook, attributes the decline of the Conservative Party in Scotland – which it says is a long-term phenomenon – to its ambivalence towards administrative and legislative devolution for Scotland. It should present Scottish voters with a genuine alternative to opposition policies.

The authors say that by perpetuating a system whereby Scotland is regarded as a special case in the UK, the Tories encourage a feeling of alienation among Scots, boost Scottish nationalism and have to conduct the political debate in Scotland on issues that favour the opposition parties.

In another paper published yesterday, the Tory Reform Group in Scotland argues that the classlessness, moral responsibility and enterprise of modern Conservatism are congruent with Scottish culture. But to convey this message to Scots the party must re-identify itself with its traditional "One Nation" values in order to recover.

The author, Mr Malcolm MacKenzie, a lecturer at Glasgow University, says that Scots are alienated by policies advocated by extremist right-wing elements which are seen as "materialistic, class-based and fundamentally selfish."

Government keeps watch on timeshare industry

BY DAVID CHURCHILL, LEISURE INDUSTRIES CORRESPONDENT

OFFICIALS at the Department of Trade and Industry plan to continue their close monitoring of the timeshare industry - Europe's fastest-growing holiday concept - in spite of fresh attempts by UK timeshare operators to "clean up" the industry's image.

The DTI revealed last week that a random survey last month of 12 local authority trading standards departments around the country had shown that more than 500 complaints about timesharing had been logged last year.

The survey's findings were behind the department's decision to issue a warning leaflet to consumers about the potential problems of timesharing.

The Government and other consumer protection agencies such as the Office of Fair Trading and trading standards departments are concerned at the continuing level of complaints about high-pressure sales techniques used to sell timeshare properties.

Timesharing, at its simplest, is a method of owning weekly periods of a property, usually at a holiday resort, for a number of years.

The concept is generally said to have originated in the mid-1960s in the French Alps, where it became common practice for skiers to buy hotel rooms for a period of time each year rather than renting them.

Its advantages are that holidaymakers can hedge against rising package-holiday prices as well as participate in what should be an appreciating property investment. Timeshare owners can also take part in exchange schemes in different parts of the world through companies such as Resorts Condominiums International or Holiday Exchange Network.

Mr John Butcher, the Consumer Affairs Minister, has given a warning to consumers "to judge by the facts, not the frills, when they think about buying a timeshare."

He added: "I must emphasise that there is nothing wrong with timeshare in itself, but half-price timeshares, discounts, and prizes may be nothing more than a sales ploy."

Officials are frustrated at the inability of the UK Government to take action against rogue timeshare operators because the problems usually take place in countries such as Spain and other countries not covered by UK laws.

John Butcher: 'judge by facts, not frills'

Meetings held last year between DTI officials and their counterparts in the European Commission to see if European-wide powers could be adopted to regulate the industry have so far come to nothing.

Moreover, the problem facing regulatory authorities in the UK and continental Europe is that timeshare - in spite of all the criticisms - is still seen by many consumers as a popular way of taking a holiday.

At least 120,000 Britons have so far bought a timeshare property (out of about 1.3m world-wide) and sales to British owners in the UK and abroad last year topped £250m.

In reality, however, timeshare has been shown to have its drawbacks. With fierce price competition between package-tour operators in recent years, timeshare does not necessarily work out cheaper in the short-term against some of the holiday bargains on offer.

Moreover, the investment value of a timeshare property has been thrown into doubt by problems owners have had in trying to re-sell their timeshare. The Consumers' Association warned recently that the high marketing costs involved in timeshare developments meant that there was litle short-term property appreciation. Some public auctions of timeshare properties have also shown the limited resale market.

However, most complaints received by consumer protection agencies are concerned more with the aggressive selling tactics used to persuade people to buy a timeshare in the first place.

Individuals are often lured to see timeshare properties with the promise of free gifts, lunch or travel. Once at the property, individuals can be subjected to high-pressure sales techniques lasting several hours.

The leading timeshare operators have reacted to such problems by forming a trade association, the Timeshare Developers Association, whose members have to agree to a code of conduct about their marketing techniques.

This code includes a minimum five-day "cooling-off" period after which timeshare buyers can change their minds.

In addition, the code says that any resorts which employ timeshare "canvassers" are prepared to ensure their staff operate away from beaches and swimming pools and are clearly identified by a badge.

The association has also employed a full-time consumer services manager who has instigated an independent arbitration scheme to deal with disputes without the need for solicitors.

UK NEWS

Textile waste merchants squeezed by strong pound

BY ALICE RAWSTHORN

IN THE wool industry in Yorkshire, in the north of England, or so the story goes, the fastest and flashiest cars almost certainly belong to the shoddy trade, who make their money by collecting and recycling woollen waste. But in recent months the trade has fallen on hard times.

The rise of the pound on the foreign exchange markets is the source of its troubles. Most of the woollen waste collected in Yorkshire is shipped out to the textile industries of Italy and India.

The strength of sterling, however, has made it increasingly difficult for the Yorkshire companies to compete in their export markets.

The shoddy trade is composed of the "raggers", who collect woollen waste from the mills and discarded clothes collected in charity appeals or by dealers in rags and waste, and the "shoddy mills", which recycle the material into fibre ready to be spun into woollen yarn again.

Twenty years ago there were several hundred companies involved in the trade in and around Dewsbury and Batley – which became known as "shoddy towns" – with a few thousand employees.

The industry declined steadily in the 1970s and early 1980s, but has since stabilised. Today there 50 or 60 raggers and shoddy mills employing 750 people.

"Nowadays we call ourselves textile waste merchants and fibre reclaimers, but it is still the old shoddy industry," said Mr Peter Radcliffe of Squire Radcliffe.

Typically the companies are small, family firms, but a few belong to larger groups. One of the biggest raggers is Bunzl Textiles, part of the Bunzl paper and packaging group. Similarly Illingworth Morris, which has extensive interests in the wool industry, owns the Ephraim Wood mill.

Originally the shoddy trade supplied local spinning mills in Yorkshire. But the the decline of the Yorkshire industry has forced it to nurture new markets overseas.

"Most of the surviving British mills have moved upmarket and tend to use virgin wool, we had no option but to find new customers in other countries," said Mr David Sutcliffe of Ephraim Wood.

The shoddy mills around Prato in Northern Italy now absorb much of the woollen waste collected in Yorkshire. Similarly India has become an important market.

In the 1980s the raggers – who benefit from low overheads with comparatively few employees and little expensive equipment – have thrived on their success in the export sphere.

But that success is now jeopardised by the strength of sterling which makes it much more difficult for them to compete overseas.

According to Mr Robert Moore of Stross: "If there is no improvement it is only a matter of time before someone goes to the wall."

British Coal 'can survive sell-off by electricity'

By Maurice Samuelson

BRITISH COAL can survive electricity privatisation if it is not exposed to an early free-for-all in coal imports, says a report published by Financial Times Business Information.

Its authors, Mr Michael Prior and Mr Gerard McCloskey, who also voice confidence about a privatised British coal industry, conclude that thanks to the steadily improving efficiency of British pits and a rising trend in international coal prices, coal imports by 1990 could be restricted to the coastal periphery of the electricity market.

But if the Government encouraged unbridled coal imports, up to 40 of the country's deep mines, many of which could be internationally competitive by 1995, would be closed in 1990.

British Coal immediately endorsed the report. "By 1995, any saving made by an all-out import policy in 1990s would have disappeared and the electricity supply industry would be paying millions of pounds more for imported coal than by buying British," the corporation said.

Among the study's findings are:

- Output of the Selby coalfield in North Yorkshire could be doubled to nearly 20m tonnes a year by operating a six-day week.
- The Central Electricity Generating Board could save only £380m a year by importing 30m tonnes of coal a year – not £750m as the CEGB often claims.
- With privatised Thames-side power stations switching to imported coal, electricity privatisation could wipe out all but one of the mines in north-esst England. However, time is also working on British Coal's side judging by the authors' forecast for rising international coal prices. They claim that by 1990 world steam coal prices will be between $42 and $52 a tonne, compared with $33.50-$36.50 paid by the CEGB on its spot tender in the summer of 1987.

By 1995, they expect prices to reach $48-$55 a tonne, and even higher if the CEGB or a privatised industry fuelled demand by large-scale imports.

Coal on the market: Can British Coal Survive Privatisation? by Mike Prior and Gerard McCloskey; (FT Business Information, Tower House, Southampton Street, London WC2E 7HA); £250.

Rehabilitation plan for Royal Docks approved

By Paul Cheeseright

THE LONDON Docklands Development Corporation yesterday opened the way for rehabilitation to begin on the Royal Docks, the largest remaining area of derelict wharves in inner London.

It agreed to provide 128 acres for Rosehaugh Stanhope, a joint venture of two property companies, to undertake the first phase of a £750m mixed development on the north side of the Royal Albert Dock.

The Royal Docks, east of the Isle of Dogs, comprise 500 acres of land, 240 acres of water and 10 miles of quaysides and represent one of Europe's biggest development opportunities. The LDDC has been negotiating with three consortia on redevelopment projects.

In the first phase of what could ultimately be a project covering 264 acres, Rosehaugh Stanhope plans 1.5m square feet of shopping and leisure space, 700 homes, 1m sq ft of offices and a 150-boat marina.

Precise terms for the transfer of the land and a building agreement giving the LDDC some control over the development have still to be worked out. The LDDC still has to grant Rosehangh Stanhope outline planning consent for the project, although the corporation has made clear it is disposed towards doing so.

The LDDC is both landholder and planning authority for the Royal Docks. As a planning snthority it has received an application for a development on the land covered by the Rosehsngh Stanhope project from another consortium made up of London and Edinburgh Trust and Tarmac Properties. This bid now seems to have failed.

The Mallard steam locomotive, which set a world speed record of 126mph 50 years ago this year, came out of retirement at Marylebone station, London, yesterday, to mark the issue of a set of Royal Mail stamps, one of which celebrates the 150th anniversary of the first Travelling Post Office trains.

The occasion coincided with the announcement of a £1.5m reorganisation of the TPOs, which sort and deliver mail during the night, as part of a campaign to ensure more letters arrive at their destination quickly. It will involve several new services and the upgrading of existing ones.

British Rail virtually rules out high-speed Chunnel-London line

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

BRITISH RAIL has virtually ruled out the construction of a high-speed line from London to the Channel Tunnel, Sir Robert Reid, BR Chairman, indicated yesterday.

Sir Robert told a conference organised by Eurochannel, the Anglo-French consortium which is promoting the fixed link project, that BR would seek government approval for a new line if demand appeared high enough to guarantee comfortable operation.

But he made clear BR's belief that this is unlikely and warned that BR faced a huge marketing challenge if the target number of passengers using the link was to be achieved.

Sir Robert's comments appeared to be part of a concerted attempt by BR, Eurotunnel and the Government to dampen speculation that the UK would construct a high-speed link along the lines of the 300kph Train à Grand Vitesse (TGV) system in France.

BR is expected to report to the Government within the next two months on options for an upgraded service to the tunnel from Waterloo station, the proposed London terminal. The report is expected to concentrate on improvements to existing lines.

Sir Robert said BR'a existing budget of £550m for investment related to the Channel Tunnel would provide capacity to cope with at least 16m passengers per year when the tunnel opens in 1993.

This is 3m passengers more than has been forecast by Eurotunnel and more than five times the current level of rail/sea traffic across the English Channel.

Sir Robert said that "building the tunnel and providing the trains will not turn potential customers into paying customers.

"Between now and 1993 we have the biggest marketing job to do which has ever faced a UK transport operator," he added. Mr Alastair Morton, the British co-chairman of Eurotunnel, called for one or more of the existing rail routes from the south-eastern county of Kent into London to be dedicated to international traffic and non-stop commuter trains.

"Dedication is a form of segration. It means a line or lines dedicated to these forms of traffic – not a new route, although parts of its length may be new or rebuilt," he said.

Mr Morton suggested that Eurotunnel could act as a catalyst for the involvement of private sector capital in the upgrading of such a line.

Mr Paul Channon, the Transport Secretary, said Government approval for investment in tunnel-related rail projects would have to be on the basis of BR's existing infrastructure.

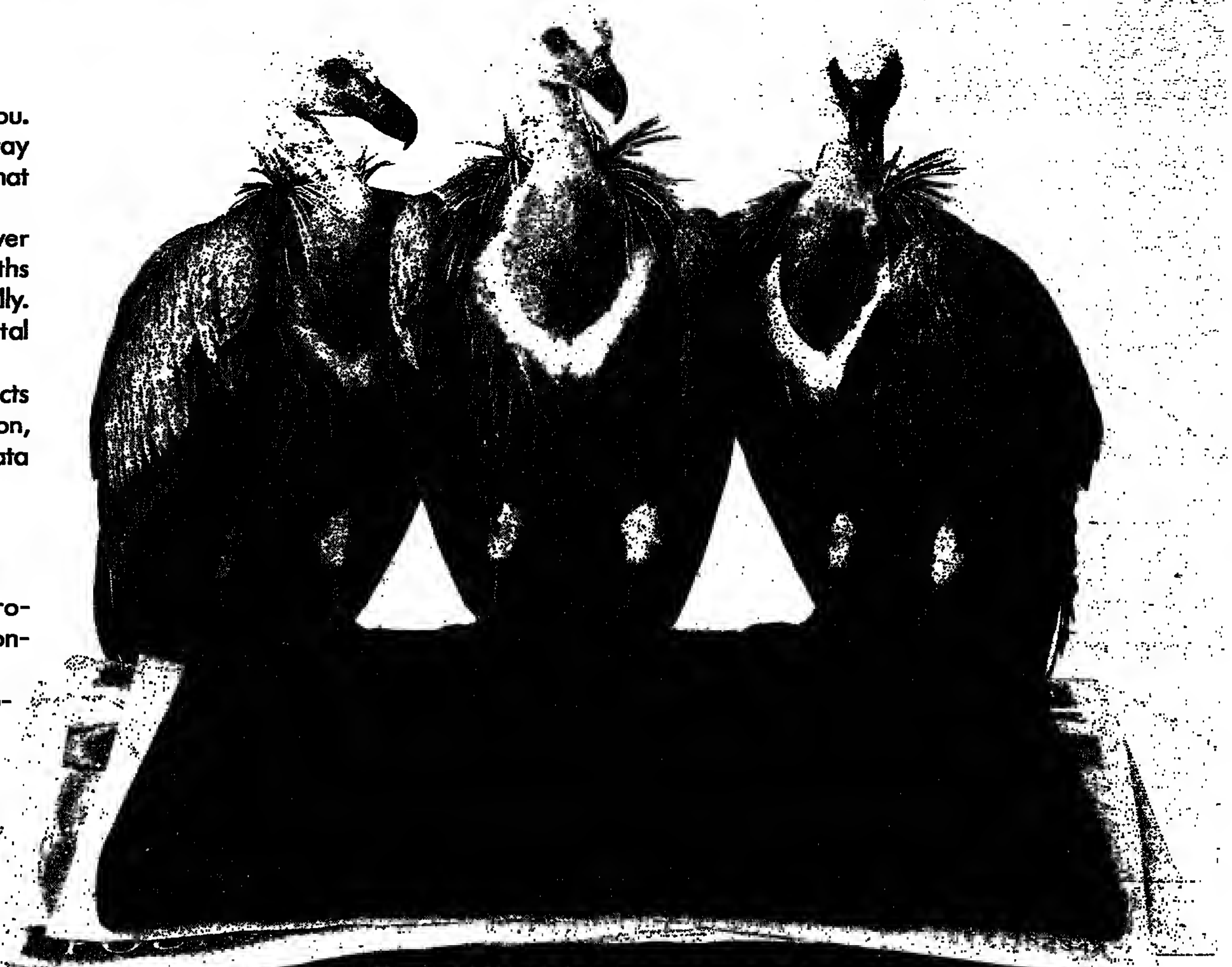
He said Eurotunnel had known this when its Channel tunnel plans were approved.

- Unions representing more than 103,000 rail workers are will Monday respond to an improved 5 per cent pay offer from the British Railways Board, which incorporates a significant extension of outer-London allowances, write Our Labour Staff.

Mr Neil Milligan, general secretary of Aslef, the train drivers' union, writing in the latest issue of the union's journal, said the offer was the best negotiated offer the unions could get in current economic and political climate.

هكذا منه التصل

Does it bother you that the owner's role in a building project is just to lie back and open his wallet?



If so, we have encouraging news for you. We offer a way where you, the owner, stay in control. Where you know exactly what you are getting and what it will cost.

Only, you get it faster and at a lower cost. We cut project time by many months or even years. We cut costs dramatically. And we offer you all the security of a total contract.

Is it surprising that our method attracts intelligent corporations like IBM, Canon, Scandinavian Airlines, Norsk Data, Data General, Astra...?

For the conventional mind, however, there are drawbacks.

We don't give a lump sum bid on your project, nor do we enter into incentive contracts.

We don't because it hurts your project. You are forced to take too many decisions too early, something that only leads to unnecessary costs. Even worse, it turns you and us into adversaries instead of partners.

What is the alternative?

You hire us for a fixed fee to manage your project. In the package you get all the specialists, data programs, routines, skills and experience you need for your building project–just as if your own company was a fully-fledged building project manager.

While you're building we are part of your company. We are your partner.

How do we save time?

Normally, you go through a lengthy design and tendering phase before you can actually start building.

With us, the pre-project phase is much shorter, but it still gives you everything you need to make your decision about the investment.

All detail designs are made while we are actually building. We take decisions at the time they are needed. After all, it is quite feasible to decide on the roof construction while working on the foundations or erecting the structure of your building.

It is this simple approach that attracts intelligent companies.

How do we save money?

We make sure you're integrated down as far as possible into the building process. Your project is broken down into many contracts, which we buy for you from competing contractors. You only pay net prices.

In our system, contractors are not passive suppliers but active partners, able to influence the design and construction of their own work. Not only does this save money, it increases the quality of your project.

You won't get just five or six lump bids for your project, but several hundred bids for all the different parts of it.

And it's easy to cope with changes along the way. Contrary to the view portrayed by traditional contracting, changes are not necessarily costly.

What is our incentive?

We get our fixed fee. So why should we work like beavers to meet budgets and time schedules?

We seem to have chosen a very tough and unrewarding way to make money.

This is not so. We are professionals. Our motivation comes from participating in the creation of functional, yet beautiful, buildings–completed on time and within budget. What's more, we find satisfaction in our work.

Nowadays you may find this a bit hard to swallow.

On the other hand, it's very simple to find out what we are like. Our list of references includes everyone we've ever built for.

Why did we come to the UK?

We believed that our method would have a future here. Our four years in the market have confirmed we were right.

Today we are a growing British company eager to show our merits.

We know that an advert is not enough to convince you. But if you have read this far, why not ring us for a meeting.

It won't take more than an hour of your time for us to demonstrate how we can benefit you in your next building project.

Our aim is to give you a professional service which saves you time and money and gives you ultimate control.

The last thing we would want you to do is just lie back and open your wallet.

Åke Larson

Your professional building partner

Åke Larson Construction Ltd., Kingsgate House, 536 King's Road, London SW10 OTE. Telephone: 01-351 2211.

TECHNOLOGY

Winning when the chips were down

Stefan Wagstyl reports on Toshiba's success in the race to mass produce the one megabyte microchip

TOSHIBA'S semiconductor factory in Kyushu, the southernmost of Japan's four main islands, was until last year anything but a popular posting among the Tokyo-based electronics group's bright young engineers.

Not any more. The plant's reputation as a remote corner of the company's empire has been transformed by its success in beating the rest of Japanese industry in the race to mass produce the latest type of microchip, the ona Megabyte DRAM (dynamic random access memory). The long white production buildings on the outskirts of Oita, in northern Kyushu, now produce more than one third of the world's output of these super-chips – 4m a month out of total of about 14m.

While other companies struggle to solve technical difficulties and meet production targets, Toshiba confidently plans to raise output by 50 per cent by the end of September. With supplies of the chip at barely half the level of demand from computer makers, prices have soared to Y2,000 (£9) each. Toshiba is reaping huge profits with a rumoured production cost of Y500.

The company is surprised at the scale of the Oita Works' success, while its rivals – including NEC, Hitachi, Fujitsu and Mitsubishi Electric – acknowledge that they cannot catch up before the end of the year at the earliest. Prices are expected to fall then as supply begins to meet demand.

The 1M DRAM is made on the same principles as previous generations of memory chips, which store information in computers. Electronic circuits are printed on to silicon wafers by computer-controlled miniature tools. By the standards of the industry, it is not hard to design a 1M chip or even to make it in prototype. The difficulty lies in reaching a new level of sophistication in mass-production techniques.

Toshiba gained its lead mainly because of a decision made three years ago to step up development of the 1M DRAM when the previous generation of chips, 256K memory devices, with one quarter the capacity, had only just hit the market. Executives say this illustrates tha group's far-sightedness. Shizuo Yoshida, director of the general administration division at Oita, says it already had 1M DRAM chips in mind when it set up production lines for the 256Ks.

Industry analysts, however, say Toshiba acted out of necessity rather than choice. It had been left behind in the race to produce 256K chips – it now ranks fifth among Japanese makers of this product. It had to jump ahead of the pack in developing the 1M chip, or risk being pushed out of memory device mass production altogether.

Nevertheless, a head-start did not guarantee success. Yasuaki Miura, a senior engineer at Oita, says Toshiba can take pride in its engineering – especially the development of mass-production technology. This was largely the work of the engineers at the plant – 400 of them spread across various operations, directing 1,600 production workers – almost all of them women.

About 50 of the engineers are university graduates – some recruited locally, others (typically the high-fliers) assigned to Oita from head-office. Miura says these engineers had to solve serious problems in the early stages of production. For example, electronic circuits are printed on to the silicon wafer in successive operations. At first it was difficult to make the lines printed at each stage match with each other. Eventually, accuracy was improved by calling on the manufacturer of the wafer-stepper – which prints images of the circuit design on to the silicon surface one chip at a time – to modify the equipment.

Also, operators were trained to work at higher levels of accuracy. Miura says success was based on making many minor improvements, rather than on one breakthrough. As a result, an estimated 65 per cent of the 1M DRAMs made at Oita turn out satisfactorily, compared with an average yield in the industry of less than 40 per cent.

Miura declines to discuss methods in detail for fear of giving away commercial secrets. But he and Yoshida put forward several general reasons for the success. Although not unique to Toshiba, these points highlight the management's priorities:

● Discipline. A vital element in successful semiconductor production is an ultra clean atmosphere. There are less than 100 particles of dust per cubic metre of air in the production rooms at Oita, compared with 1m in the surrounding atmosphere. Air conditioning is essential to achieve this; and so is ruthless self-discipline among workers in keeping doors closed, shoes clean and so on. Yoshida says there is never any trouble about enforcing clean-room rules.

● Training. Engineers at Toshiba spend up to five years training before they work unsupervised. This investment is worthwhile because – as with other Japanese companies – most recruits join Toshiba for life. About half the factory's senior managers are engineers by training, mostly graduates.

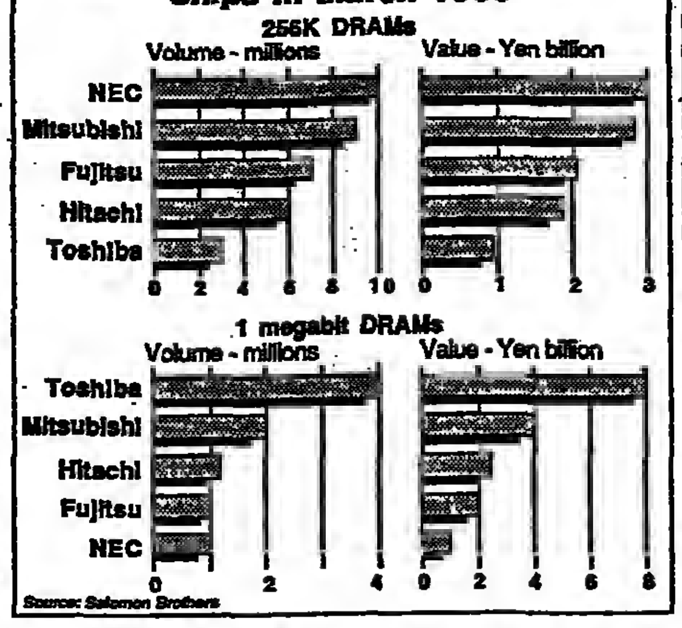
● Diversity. 1M DRAMs account for about 25 per cent of Oita's output by value, but just 5 per cent by volume. Apart from memory chips, the factory is a major supplier of microprocessors, which process information stored in anything from a calculator to a computer. Yoshida says that while engineers are assigned to specific fields, they are encouraged to carry out research in any area.

● Capital investment. The plant has four semiconductor manufacturing lines. Production, assembly, testing and quality control are all highly automated; computers control the factory's power supply. Toshiba has not stinted in equipping Oita. Like other semiconductor makers, the group cut investment last year following a plunge in chip prices in 1986. But it still spent Y65bn – 60 per cent more than its nearest rival – most of it on 1M DRAM production equipment.

Following their coup in 1M DRAMs, engineers at Oita are planning their move into the next generation of chips – 4M DRAMs. The irony is that their success in 1M chips proves that they cannot be assured of winning the 4M race as well.

Indeed, the story has a wider moral: even in the highly competitive electronics industry, it is possible for a large company which has fallen behind in technology to catch up and even overtake the competition.

Japanese production of memory chips in March 1988



Collapsible bicycle knocks spots off earlier models

BY RICHARD TOMKINS, Midlands Correspondent

A BRITISH company, which has designed an innovative, grease-free, collapsible bicycle, has won a £345,000 order to export more than 2,000 to Japan.

Already more than 8,000 Strida bicycles have been sold in the UK, US and the Netherlands. The Japanese order comes from the Seibu department store group, which will sell them through its Loft store chain.

Mark Sanders, 30, invented the Strida bicycle and his design was spotted at the Royal College of Art degree show by business entrepreneur James Marshall in 1985. Together they set up a company called Strida to produce the machines with the aid of £300,000 raised through private subscriptions to a Business Expansion Scheme.

The black bicycle is built around a triangular aluminium frame with other components made of acetal nylon. It is designed for comfort rather than speed and has the handle bars higher than the saddle, so that the back and arms are straight when cycling. The "chain" is a reinforced rubber drive belt, similar to the timing belts used in car engines.

Strida claims that the bicycle can be folded up ready for carrying in less than 10 seconds. When collapsed, it resembles a walking stick on wheels and, at 22 lbs, is easy to manoeuvre.

One of the machine's main features is its clearness. The rubber chain requires no grease and no oily parts are exposed, so overcoming common complaints about earlier designs.

The bicycle was launched last year in Harrods department store. It is now on show in London's Design Centre as well as being sold through some branches of Next and House of Fraser and through design-oriented shops. It retails in the UK at £189.

Nick Green, marketing manager, says production has reached full stretch, with about 400 cycles a week being turned out by the manufacturing subcontractor in Nottingham. Turnover is expected to reach £2m this year.

WORTH WATCHING

Edited by Geoffrey Charlish

A question of improving quality

MAXIMISING quality in manufactured products remains one of the most important matters for European industry. Bradford University aims to make it easier for production people to recognise problems by developing expert systems, that is, computer systems which store and apply previous human experience.

Complexity is the usual barrier to understanding problems of quality. Often a manufacturing process can be so long and complex that it is difficult to pinpoint where something is going wrong. Even if the problem is identified, alteration of the offending part of the system can critically affect another part without the full implications being understood.

The Bradford project, backed by the Science and Engineering Research Council and the UK Government's Alvey project, will be carried out in conjunction with Lucas and the General Electric Company of the UK.

Limited expert systems, which can be used by shopfloor personnel, will be developed first. Later, one system will build up a picture of the production process's history, then another will feed back the knowledge gained into the design process. The idea is to to prevent problems arising in the first place.

Computing with a listening ruler

THE OPERATION of transferring dimensions from a drawing into a computer system has been made quicker and easier with a "sonic ruler", made by Science Accessories Corporation of Southport, Connecticut. It is available in the UK from P.M.S. (Instruments) of Maidenhead.

The ruler is laid along one edge of the drawing. A hand-held stylus, placed on each point in the drawing in turn, emits an ultrasonic signal which is picked up by a tiny microphone at each end of the ruler.

The time taken for the signals to reach the two ends allows associated software to work out the two distances and so calculate, by geometry, the x and y co-ordinates of the stylus position.

An area 50cm square can be covered by the ruler which defines points to an accuracy of 0.1mm. It works in conjunction with an IBM or compatible personal computer and costs £1,400.

Belgian telephones to go digital

THE BELGIAN Post Office has assigned the task of digitising the national telephone network to a Belgian subsidiary of Siemens, ATEA NV. Digital equipment for at least 480,000 subscribers will be installed over the next five years.

The first lines will be in use at the end of September and the plan is to introduce an integrated services digital network (ISDN) using the Siemens EWSD system. It will then be possible for subscribers to exchange speech, text, pictures and data over a common network.

Lifting the speed of a crane

A MOBILE crane has been designed in Sweden which can be moved from place to place at speeds of up to 50km per hour (31mph) and can lift a four tonne load at 25 metres radius.

The maker, Kranteamet of Sjaleved, says that MoDo, one of Sweden's biggest pulp and paper makers, has been able to move loose timber and pulp at twice the rate obtainable with other types of crane.

Power is provided by a turbo-charged V8 diesel engine, which drives the hydraulic lifting system and provides road traction. A combined driving and controlling cabin is mounted on a separate jib and can be raised 10 metres above the ground to improve visibility. It is claimed that more precise manoeuvring is possible than with conventional wire rope and pulley designs.

Huntsman bags a sales success

BRITISH Telecom Enterprises has had an early sales success with its new Huntsman telecoms network testing system. The system will be supplied to Allied Lyons, the UK food company, which has more than 70 sites with exchanges connected by 200 circuits.

The control centre will be at Burton-upon-Trent, the headquarters of Allied's communications group. A personal computer will be used to control the automatic daily testing, involving the placing of up to 700 test phone calls in which 13 types of fault will be sought, ranging from number unobtainable to unacceptable noise on the line. It is possible to detect potential faults before they become a problem.

IBM to open new lab in Japan

IBM is to open a technology application laboratory at its Yasu site in Japan. The aim is to improve the speed and effectiveness with which IBM applies semiconductor and electronic circuit packaging technology to advanced products.

The Yasu laboratory will work closely with IBM's two other labs in Japan, in Tokyo and Yamato, and with the company's two manufacturing plants in Fujisawa and Yasu. The focus will be on chips and packages for small and medium sized processors used in workstations and related products.

The European connection

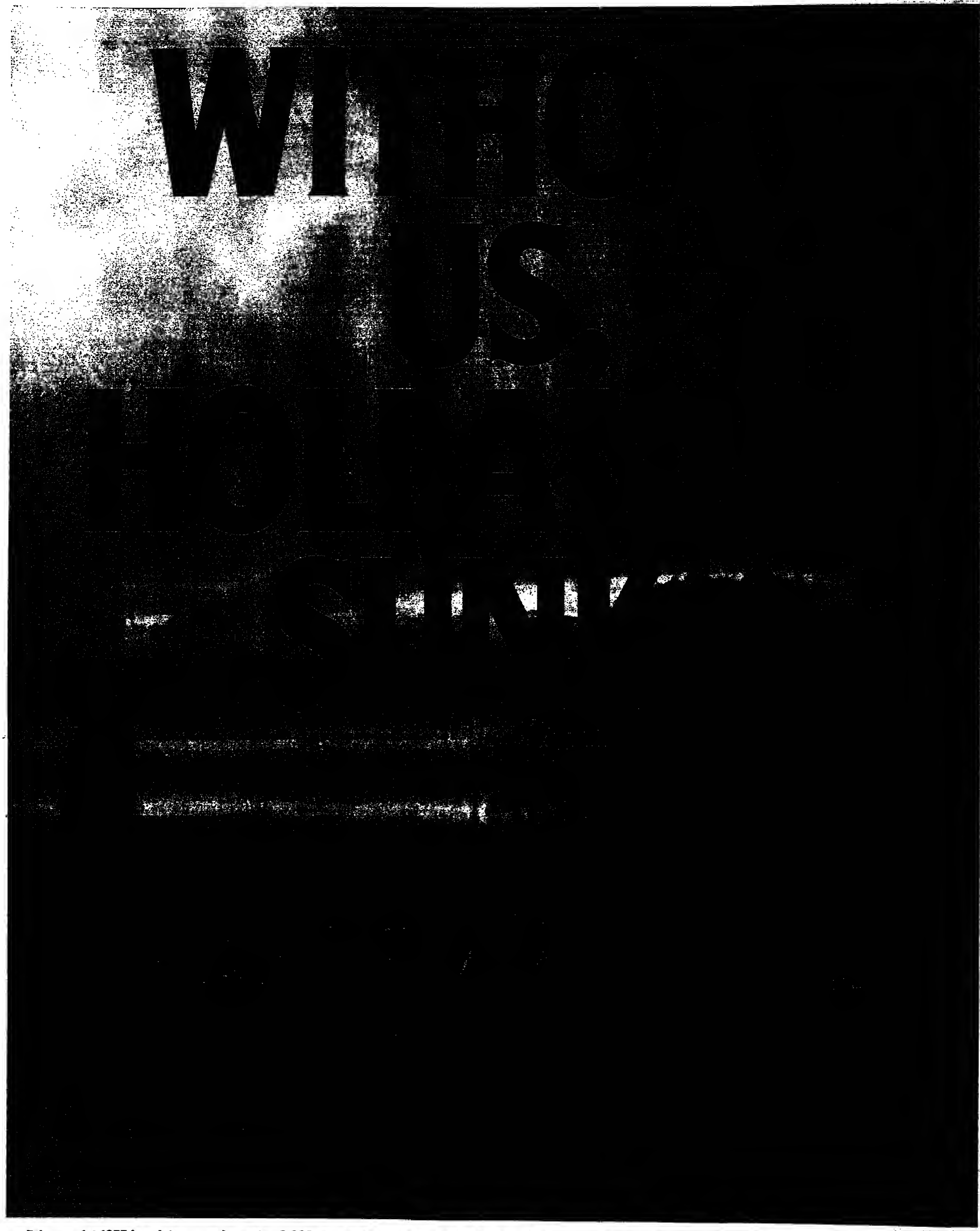
DIGITAL Microwave Corporation (DMC) of San Jose in California, which makes microwave short-haul communications links and optical communications systems, has opened a design, manufacturing and marketing unit in East Kilbride, Scotland.

It is expected that the plant will employ about 100 people by the end of a three-year period in which the company plans to expand sales in Europe.

DMC has just signed a purchasing agreement with Mercury Communications, the UK common carrier competitor to British Telecom, in which first year sales to Mercury are likely to exceed $18m (£10m).

DMC products integrate optical fibre and digital microwave components into small packages that allow organisations to interconnect computers, telephone exchanges, data terminals and local area networks.

CONTACTS: University of Bradford: UK, 0274 733466. P.M.S. (Instruments): UK, 0628 38036. Siemens: UK office, 0932 752323. Kranteamet: Sweden, 660 49000. BT Enterprises: UK, 0473 222333. IBM: UK office, 0705 694941. DMC: UK, 035 524 2966 or in the US on (408) 943 0777.



APPOINTMENTS

Chairman of Linread group

LINREAD has appointed Mr Peter Tahany as chairman of the group, following the retirement of Mr Don Lyall, who will remain a non-executive director. Mr Tahany joined the group in June 1987 following the acquisition of North Bridge Engineering, where he was executive chairman. He has also been appointed a regional director of the North and East Midlands regional board of Lloyds Bank.

★

GH ASSET MANAGEMENT, a new joint venture company owned by a subsidiary of Gerrard & National Holdings and a subsidiary of J.O. Hambro & Co, has made the following appointments: Mr James Hambro (chairman); Mr Evelyn Wright (deputy chairman); Mr Richard Freeman (managing director); Mr Michael Hyman (investment director); Mr Jamie Sheldon and Mr David Harland (directors).

★

NIMBUS RECORDS has appointed Mr Geoffrey Smith as managing director of its recently-formed CD-ROM division, Nimbus Information Systems, which uses CD technology for mass storage of data, with rapid access. Mr Smith was previously director of television operations for Pergamon Media Trust.

★

Mr W. Drummond Sharp is joining the board of CARBORUNDUM ABRASIVES as a non-executive director.

★

Dr Richard Summers has been appointed head of the new management buy-in unit of INVESTORS IN INDUSTRY (3i). he was director in charge of 3i's Cambridge office.

★

APV has elected Mr Bill Webb as group financial controller. He joins from PLessey where he spent seven years as finance director of Plessey Defence Systems, a major subsidiary of Plessey's defence electronics division.

★

Mr A.J.P. Woodhouse has become chairman of CL-ALEXANDERS DISCOUNT in succession to Mr Michael Toynbee who has retired. Mr J.S. Fforde has been made a non-executive director.

★

Mr John Lace has been appointed managing director of the energy group of FKI BABCOCK. He was appointed managing director of Babcock Power in January 1987 and in April 1988 became managing director of Babcock Energy.

★

Mr Eric Leicester, formerly managing director of ADP Network Services, has been made sales director for ISTEL FINANCIAL SERVOCES.

★

Mr John Daly and Mr Jeffrey Greenwood have been co-opted to the board of BANK LEUMI (UK). Mr Daly was a local director at Barclays Bank and Mr Greenwood is senior partner of Nabarro Nathanson & Co.

★

At SLAUGHTER AND MAY Mr N.J.Archer, Mr A.G.Balfour and Mr C.M.Horton have all become partners.

★

Mr Paul Burrows has been appointed managing director of RENOLD GEARS. He was previously with Metal Box, Glynwed and GKN.

★

NORWEST HOLST has appointed two directors: Mr Robert Neill has been promoted to marketing director of Norwest Holst Project Services and Mr Steve Kuntze to commercial director of the management contracting division.

★

THE IRON TRADES INSURANCE GROUP has appointed Mr Ray Hill its chief executive and general manager in succession to Mr Peter Cross who has retired.

★

Mr Bob Reid, chairman and chief executive of Shell UK, is to be the new chairman of the BRITISH INSTITUTE OF MANAGEMENT. He succeeds Mr Brian Wolfson after the annual meeting in September.

★

NATIONWIDE ANGLIA ESTATE AGENTS has appointed Mr John Seal as operations director. He joins from the company's parent company – Nationwide Anglia Building Society – where he was general manager operations.

★

The president of the ELECTRICAL CONTRACTORS' ASSOCIATION for 1988/89 is Mr John Webb, joint managing director of R.F.Webb.

★

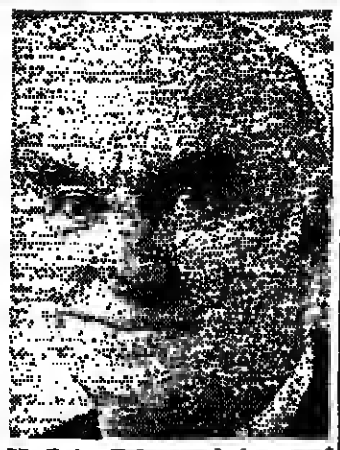
Mr Richard Humble, executive director and head of operations, and Mr Patrick Murphy, executive sales director, have joined the board of the CRITERION ASSURANCE GROUP.

★

Mr Terence Gordon Arthur has joined the board of the WESLEYAN & GENERAL ASSURANCE SOCIETY. He is senior partner of T.G. Arthur Hargrave, Birmingham.

★

Mr Mike Fletcher has been appointed managing director of ARDEN COMPUTER SERVICES, a subsidiary of the IDC Group.



Mr Peter Tahany, chairman of Linread

★

Mr Alan Meek has been appointed chairman of STICKLEY & KENT, a wholly-owned subsidiary of the Shield Group. Mr Nicholas Tubbs has been elected managing director.

★

Mr I.Donaldson, Mr R.Drain, Mr D.A.Hacking, Mr R.S.Maxted, Mr C.F.Pearch, Mr S.W.Sumsion and Mr P.S.Voller have been appointed directors of LLOYD THOMPSON. Mr D.Fenton, Mr T. Heppel and Mr J.Kimber have been apppointed associate directors.

★

Mr E.R. Stacey has been appointed director of personnel for the WOLVERHAMPTON & DUDLEY BREWERIES. He was group personnel manager.

★

Mr D.Sykes Wilford has been appointed managing director in charge of risk management products at CHASE INVESTMENT BANK. He rejoins Chase from Drexel Burnham Lambert.

CONTRACTS

£14m oil rig orders

HIGHLAND FABRICATORS has won £14m of contracts from Amoco Exploration in connection with three North Sea oil and gas development projects, *writes Steven Butler.*

The Easter Ross fabrication yard will build a steel platform to be set in 300 feet of water at the Arbroath field in the central North Sea. This will be for an unmanned wellhead protector platform over the field, with processing operations carried out at the Montrose platform, five miles to the north.

Total cost of the project is estimated at £144m, with production expected in early 1990.

Additional jackets and piles are also to be built for the East Leman and Indefatigable gas field in the southern gas basin of the North Sea. The structures are aimed at housing equipment for increasing the recoverable reserves in the fields, which are in production.

Amoco is operator at all three fields and holds roughly a 30 per cent interest in each.

University engineering faculty

South Wales-based builder, the TURNER GROUP, has won contracts valued at more than £5.7m for projects ranging from the modernisation of the National Museum of Wales' Zoology Department to providing improved married quarters for service families at RAF St Athan.

Work has started on the £3m first phase of the new Faculty of Engineering for the recently merged University College, Cardiff, and UWIST, which should be completed in time for the first students to move in for the start of the academic year in 1989.

Other contracts include a £1.3m training centre for the Army at Rollssillion Barracks in Chichester; extensions and improvement to two Dairy Crest Creameries at Torrington in Devon and Lostwithiel in Cornwall worth almost £1m; and new facilities at an Express Foods Group Dairy at Minsterley in Shropshire.

In South Wales the group has been awarded a £1.1m contract by the Property Services Agency for improvements to 78 married quarters at RAF St. Athan, and Mid Glamorgan County Council has given Turner the job of building a £1.7m extension to Maesteg Comprehensive School. In addition Turner will be tackling industrial projects at the Welsh Glass Works in Cardiff and Dow Corning in Barry.

For the National Museum of Wales the company will be carrying out modernisation and refurbishment in the zoology department at the main building in Cathays Park at a cost of £145,000.

Engineering orders for Clugston

Civil engineering works worth more than £3.6m have been won by Scunthorpe-based CLUGSTON CONSTRUCTION. Contracts valued at nearly a quarter of that sum have gone to the company's office in Peterborough. Split into three contracts, the work will be carried out for two clients, the Peterborough Development Corporation and Cambridgeshire County Council.

Biggest single contract is the £440,000 job to construct drainage and roadworks to develop the St Botolph area for the P.D.C. A 6 metres deep sewage pumping station is to be built and pulverized fuel ash grout used to fill in redundant sewers. Advance site works are under way for the same client at Orton, where new roads and drainage works are being installed under a £120,000 contract.

For Cambridgeshire County Council, the company has a £240,000 job at Caldecote, where an existing road on a residential development is being upgraded, together with its associated drainage.

A contract for £1.45m has been awarded by Glanford Borough Council for the replacement of 2km of sewers in deep open cut in Barton. A £640,000 contract for Severn Trent Water Authority involves refurbishment of the River Idle along 1,400 metres of its length. Another river project, this time for the British Waterways Board, has started on the Aire and Calder Navigation, where Clugston is to install some 600 tonnes of steel sheet piles and partially rebuild embankments.

Industrial foundations are to be built for Conoco at its Humber Refinery, South Killingholme, to support plant contained in the propylene plant. Worth £311,000, the work is to be completed in under four months.

★

R. SYMES, Leyton, part of Willmott Dixon, has been awarded a contract in the region of £1.3m by Wheatsheaf Investments for construction of a six-storey block of flats on piled foundations at Bourdon Street, London W.1.

AT FIRST SIGHT it would be difficult to find a less welcoming environment in which to set up in business than Spitalfields in London's East End. A few hundred yards from the wealth of the City of London lies an area which encompasses most inner city problems – high unemployment, a local population with limited job skills and large numbers on low incomes and from the ethnic minorities.

And yet the East End has a long history of acting as a stepping stone to a better life for immigrants, such as the Huguenots and Continental Jews. The latest in this long line of immigrants are the Bangladeshis and the Vietnamese.

To help these people overcome their problems and establish their independence, Spitalfields and the surrounding borough of Tower Hamlets have become the target for a wealth of programmes aimed at promoting enterprise. A range of initiatives has also been set up to enable them to help themselves.

From a converted furniture factory in Brick Lane, the Spitalfields Small Business Association operates a hand-holding service for local small businesspeople; the nearby Tower Hamlets Centre for Small Business provides advice and counselling for businesses throughout the borough; while the Government has chosen Spitalfields for its third London Task Force area with initial funding of £306,000 for 12 projects.

Sayeful Islam: Although he could improve his margins by developing his own range rather than manufacturing for a wholesaler he feels that he could not afford the financial risk

Building on centuries of traditional skills

Charles Batchelor reports on efforts to promote enterprise among immigrants in the Spitalfields area of London

For all the changes over the years in the ethnic make-up of the local community, the East End has remained true to its traditions as a centre of the rag trade. Many of the small "cut, make and trim" businesses which operate in cramped workshops off Brick Lane are now run by first or second generation Bangladeshi immigrants.

Annie Leatherwear, in a small workshop in Brick Lane, is run by Sayeful Islam, who came to Britain at the age of 13. His workforce of 10 people turns out 300 garments a week for one major wholesaler, which supplies the uncut leather at the beginning of the week; pays promptly for the finished goods at the end of the week; and guarantees a regular flow of orders.

Businesses like Islam's could probably improve their margins by designing and making their own ranges and selling to a wider range of customers. But be doubts whether be could raise the money to bear the cost of carrying his own stocks of leather and is anyway unwilling to run the greater risks such a strategy would bring.

"I don't want to make a big investment and then find a customer doesn't pay me," he says. "I would have to spend on advertising, take on office staff and a salesman." He would also have to keep the business going through the seasonal ups and downs of the leather trade.

It is primarily a lack of finance which keeps many business owners in Spitalfields trapped in low profit businesses. Few own their homes which they could offer as security for a bank loan. A lack of funds means small businesses are unable to gain discounts by buying in bulk; nor can they make their purchases out of season when prices are lower.

These financial constraints are partly offset by informal financial networks within the Bangladeshi community. A local video rental shop lost its stock during a break-in but was fully restocked within 48 hours with the help of funds from family and friends, says Kay Jordan, co-ordinator of the small business association.

The problem with such financial informality is that the money is on 24-hour recall – which prevents long-term planning.

An encouraging development in the financial field has been the creation by two large City organisations – the Lloyd's of London insurance market and Kleinwort Benson, the merchant bank – of special funds to back small business in East London.

Lloyd's has set up a £50,000 loan fund available in individual amounts of up to £3,000 at 5 per cent while Kleinwort Benson has just under £20,000 available in interest-free sums up to £1,000.

These funds, which have already been fully committed, have been used to back a range of start-ups. They include not just those in the traditional immigrant areas of clothing, leatherwear, catering and retailing, but also a computer agency, a jewellery manufacturer and car repairer.

Creating greater diversity in the Spitalfields business community is an important aim of the various aid programmes. "We try and tempt them to learn new skills," says Ali Barlas, an advisor with Business in the Community, which channels private sector help to communities in need. "There is too much overtrading and undercutting in the traditional areas."

A major problem facing Spitalfields is a lack of business expertise among the local Bangladeshi community. Unlike the Asian immigrants who come from a trading background in East Africa, many people in Spitalfields come from the Sylhet area of Bangladesh, a rural community with no strong commercial tradition.

The business association and the Tower Hamlets centre both run training courses in subjects such as book-keeping and marketing. One course combined machining skills with English language tuition.

Language is becoming less of a problem for the younger generation of Bangladeshis who have spent some time in schools in Britain but for older people, dealing with British Telecom about faulty telephone lines and with the local authority about blocked drains and rates, it can be difficult.

To overcome these difficulties, Business in the Community runs a scheme whereby two Bangladeshis based at the Tower Hamlets centre can help immigrants in their own language and go out to advise those who might not be reached by more conventional means.

Overt racism is not a problem in most areas of business given the rag trade's long association with successive waves of immigrants but the fear of racial attacks does impinge on some areas of business life.

The Government's task force programme has helped to buy a minibus to take people to evening courses at the Adult Education Institute at the other end of the borough. This was needed to overcome fears about using public transport late at night.

Even when an entrepreneur has raised finance and done the training he will have to find premises. Conditions in many of the local workshops are appalling.

The two-man pleating business run by Ezra Raymond and his partner is based in a single room off Brick Lane. Scaffolding props up the door frame and fungus sprouts on one inside wall.

Raymond's business is in a row of workshops which is now being improved by the small business association. "Moving to new premises stimulates a willingness to change," says Kay Jordan. "People look at their equipment and their methods of production."

The association owns 54 workshop units though only 35 are currently in use. It could probably raise private sector funds to speed up the modernisation process but this might force it to charge rents which many potential tenants could not afford, she adds.

How successful have these initiatives been? The BIS's two Bangladeshi workers have given 428 counselling sessions, reports Ali Barlas. This has helped seven people into self-employment; led a further 12 to take a training course and persuaded three people that employment is a more realistic option. A further seven businesses have been given help in raising finance. These numbers appear small but in an area with as many problems as Spitalfields progress will be slow.

The Tower Hamlets centre says it helped create or protect 1,200 jobs in 1987. Of the people who started up in business on the centre's advice 89 per cent were still in business after a year – a survival rate which compares well with that of other enterprise agencies.

Stephen Lord, who handles these projects at Business in the Community, believes the current small-scale approach is the right one. "Millions of pounds have been spent on these areas without effect in the past," he says. "You have to involve the local community to deal with its problems."

Spitalfields Small Business Association, 170 Brick Lane, London E1 6RU. Tel 01-247 1892. Tower Hamlets Centre for Small Business, 76 Wentworth Street, London E1 7SE, Tel 01 377 8821. Business in the Community, 227A City Road, London EC1V 1LX, Tel 01 253 3716.

Franchising

Have pizza – will travel

Chris Sherwell reports on an Australian entrepreneur who, four years after starting his business, now has global ambitions

FAST FOOD fanatics in south London may have seen an unusual sight on their streets recently: canary yellow mini-cars with large scarlet telephone handles on their roofs.

They are a mobile advertisement – as well as a key component – of a home-delivery pizza service which is the brainchild of one of Australia's newest entrepreneurs. They also exemplify how, by franchising a novel idea, a business can expand very rapidly.

Since 1984, 38-year-old Richard Wescombe has not only spawned more than 100 outlets at home, but nine to New Zealand, seven in Japan and (so far) one in Britain.

His business is called Dial-a-Dino's, and while this has a friendly Italian ring to it, both the business and the pizza – and for that matter the story behind its expansion – are very much Australian.

it starts in sleepy Adelaide, from which city Wescombe hails. He had already tried working in ladies' hairdressing, a milk bar, the timber business, sheep shearing, truck driving and as a parole officer before Dial-a-Dino's materialised.

"I wanted to start up a big business and I wanted control," he says. "I wanted to leave a mark somewhere – to do something well and be respected for it." In three-and-a-half years, he has built an operation which generates revenues of more than A$55m a year. Since introducing his pizza concept in Australia, he has seen his idea copied in every major city.

That it was pizzas at all, he now says, was an accident. He saw a character in Leave it to Beaver, the US children's television series, ring for one, and he decided it was a good idea, especially as there was no such service in Adelaide.

He began the business as Dino's Dial-a-Pizza with four others – his brother, a microbiologist described by Wescombe as the "brains behind the dough," his father-in-law, who looked after the books, and two other partners, brothers who did the cooking.

The gimmick of a car with a phone on its roof also came from the US, while the service itself was promoted through letter-box drops. Although the team protectively opened a pizza restaurant at the same time, it was the delivery service which caught on as word spread quickly.

Within three months a second outlet was opened. A third began two weeks later, a fourth another two weeks after that, all funded with the cash flow of the earlier ones. Soon the whole of eastern Adelaide was covered.

The big break, according to Wescombe, came in July 1985 when, with seven outlets open, someone – perhaps a rival – claimed that Dino's vans were infringeing the law by having the red roof telephones illuminated.

A quick word from Wescombe in the ear of a friendly radio journalist, and this attack on a small business became big news, prompting press articles and editorials. At one point Wescombe parked 24 vans outside the state parliament in protest. After the free publicity came the obvious compromise: a dimmed roof light.

Opportunities for expansion

It was his move into Victoria and a clash in Melbourne with a restaurant called Dino'e which caused Wescombe to change the name of his business. At the same time he shifted into franchising, for it was here that the big opportunities for expansion lay.

Wescombe felt he had the basic formula right for success in home-delivered fast food: a good product and good service. Dial-a-Dino's, he says, aims to deliver, with a smile, a freshly-made hot pizza within 30 minutes of it being ordered.

The pizzas are made from a special recipe dough, a distinct tomato puree and a specially-made cheese. Because a lot can go wrong in baking them, Wescombe employs the KISS principle (Keep it Simple, Stupid): the pizza bases are made, rolled and part-baked at a central point in each major metropolitan selling area. From the outlets where they are finally baked, the pizzas are delivered in an insulated pouch by young drivers in yellow and red uniforms which match their cars.

Under Wescombe's franchising arrangements, franchisees – he calls them "owners" – need about A$100,000 to get started. This is made up of a one-off A$20,000 franchise fee, and another A$80,000 – most of it raised through leasing finance – to buy the equipment, fit out the store-front and purchase two cars.

Wescombe says franchisees are picked carefully: they must be suited to providing a good service, not chosen because they have the money. To maintain standards, he has devised a five-point Dino's credo. He also includes at least one directly-owned company outlet in each major market area, and he employs a franchise manager to cover every eight outlets.

A franchisee needs a minimum turnover of around A$4,750 a week to survive. The average is A$8,000 a week, while the best organised, says Wescombe, manage A$18,000. Those who are successful open other stores in adjacent areas, expanding the business in what is called a "cluster franchise."

Wescombe takes a hefty 3 per cent of weekly turnover in royalties and another 5 per cent for the all-important promotion and marketing of the product and the service.

He has yet to break into the Brisbane market in Queensland, where the US company Domino's has built up a similar business, while in Western Australia he has linked up with a local company.

This is a move he has duplicated in expanding abroad. Dial-a-Dino's International has taken a 25 or 30 per cent stake of ventures with local partners. New Zealand was first, then Japan (last August).

He has since turned his attention to the UK and now has his eyes on the Continent, in particular the Benelux countries, West Germany and Spain.

Is it time to go public? "I still want control," Wescombe says. "Franchising is a personality business, and I have a responsibility to those who are the basis of our success. But I would like to get my money out eventually."

What about his partners? Wescombe now has only one, Kevin Payne, having bought out his brother and his father-in-law, and the two others as well – they decided to use a Dial-a-Dino's franchise operation to build a successful restaurant business.

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Registered No: 1686340
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Cork Gully
126 George Street
Edinburgh EH2 4JZ
Cyril W Hield
Cork Gully
Abacus Court
6 Minshull Street
Manchester M1 3ED
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Name of appointor: The Governor & Company of The Bank of Scotland.

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At 1030 hours on Friday 20th May 1988

for the purpose of having laid before it a copy of the report prepared by the administrative receiver(s) under section 48 of the said Act and, if thought fit, appointing a committee.

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Date: 4th May 1988

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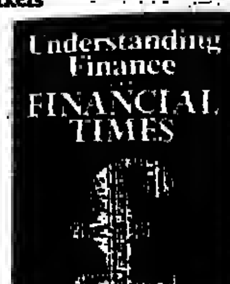

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ARTS

The Saatchi Collection/William Packer

Figuratively speaking

Whatever one's feelings about advertising or modern art, it must be said that the exhibitions drawn from the Saatchi Collection and put on at regular intervals in the spectacular galleries at 98 Boundary Road, NW8, constitute one of the most remarkable private commitments to the public cultural good of recent times.

After the shock-horror show of the young Neo-Geo School of New York, the pattern has reverted to a smaller group of disparate artists: Leon Golub, Joel Shapiro and the late Philip Guston, all of New York, and the German, Sigmar Polke (until September: open Fridays and Saturdays, 12-6 pm, or by appointment – 01 624-8299).

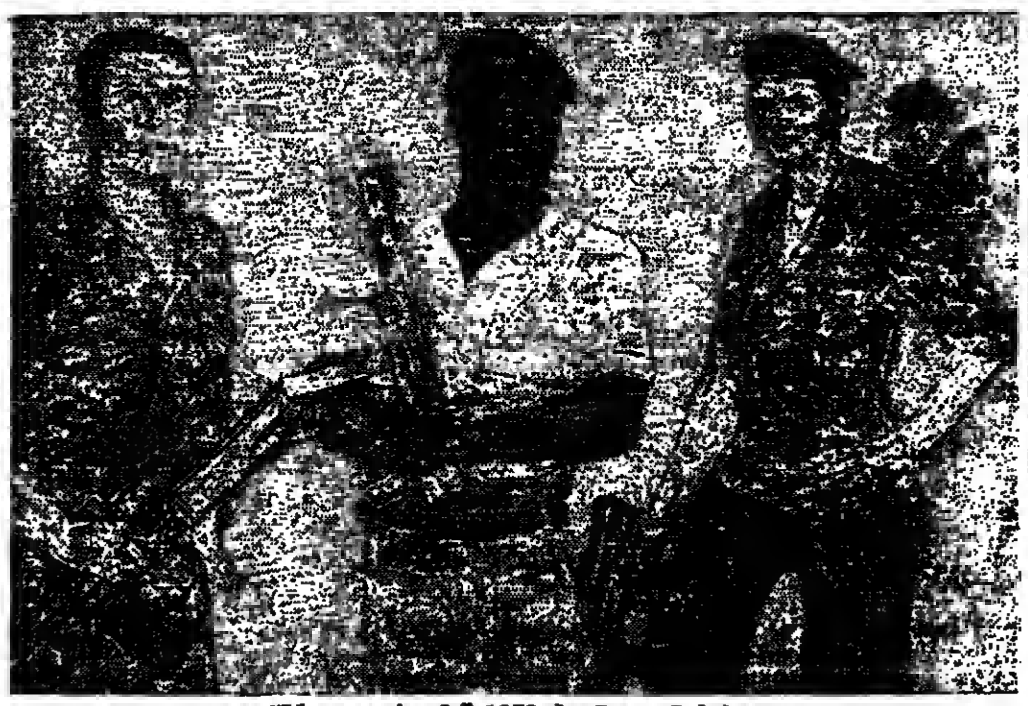
Guston, the senior artist among them, died in 1980 at the age of 67. Born in Canada, he moved to America as a boy and it was as one of the more refined and allusive of the abstract expressionist painters of the New York School in the 1950s and early 60s that he first achieved an international reputation. None of this earlier abstract work, however, is in the Saatchi Collection, but only work from his final period, which began in 1968 with what appeared to be an abrupt renunciation of all he done hitherto. He returned to figuration, an apostasy bad enough in itself at that time, but made all the worse by the nature of the imagery and the manner of its statement. The paintings were large and crude, overblown and ambiguously comical, of still-life, landscape and the figure after the manner of the cartoon and the comic-strip.

But art is not always what it seems, and the world has a way of catching up. Seen today, how strong and direct these paintings are in the drawing, and how rich and subtle in the paint. The strange truth is that no true artist can deny himself at heart, no matter how hard he may try. At the Whitechapel's Guston retrospective in 1982, by direct comparison we could see that the disposition of the image on the canvas and the touch of the brush upon the surface in both abstract and figurative works remains so much the same. And now that so much of the punk and graffiti art of the New Spirit has come and gone and we look back with a broader view at the figurative painting of the recent Expressionism, the work of Philip Guston takes on a prescient and classical authority.

I only wish I could say the same of the work of Sigmar Polke, in which the Saatchis also enjoy a considerable holding. Polke, now in his late 40s, came to prominence in the later 1970s on the crest of resurgent international interest in figurative European art, and German art in particular. But here his representation begins with work of the mid 1960s, when he was a Pop artist of a crudely conventional sort, and it is in a sense this Pop artist that he remains.

His concern has never been with image, surface and mark as an integrated whole, but always with imagery alone, modified sometimes by the imagery of mechanical process, such as of photography or printing, that by degrees removes the artist from any direct responsibility for the result. The handling was always crude and perfunctory, with little sense of any personal engagement, but the earlier clumsiness is replaced in the later work by a casual and opportunistic bravura. Image is superimposed upon image, now this way now that, upon surfaces cobbled roughly together from whatever comes to hand.

The difficulty with such an approach is that the work produced becomes in essence nothing more than a graphic art inflated into a kind of scene painting, literary and eclectic in its sources and references. The canvasses are large enough to be collectively impressive, but by the nature of their imagery they could be any size. Technically it is knowing rather than clever work, that shows no sign of relish for the stuff of paint, nor any sense of personal discovery. It is art about art, consciously clever only in the witty sense of a double-edged self-justification – heads he wins, tails we lose.



"Mercenaries 1," 1979, by Leon Golub

The truer painting, of figurative imagery strong in itself, yet inseparable from the way it is made and the scale on which it is presented, is to be found in the work of Leon Golub, which commands the vast space of the principal gallery. Golub is now 66 but only in the later years of his long career has he won a wider recognition. His huge paintings are more tarpaulins than canvasses, and as such are hung unstretched, establishing the presence of the painted surface by their sheer physical weight. They carry disturbingly ironical images, deceptively mundane and matter-of-fact, of contemporary brutalities: secret police lounge together for a smoke in the interval of the interrogation; young soldiers grin fatuously at the camera; another guards a row of bound and kneeling captives; a body lies huddled in the boot of the car. Within the conventions of his own mannerisms of handling and pictorial distortions, these disarmingly awful tableaux are beautifully drawn and painted, the painted surface itself rather dry and scrubbed and sunken in. They are works of art that do need to be as they are, large and inescapable.

Joel Shapiro, the fourth artist, also in his later 40s and the only sculptor, sits at the other extreme of scale, and with imagery so simple as to be banal – tiny cubes set on a broad expanse of floor; hut and house shapes defining, and infinitely expanding in the imagination, the metal plate they occupy; a manikin of metal blocks poised actively on one leg. Yet this work too seems pitched exactly right to activate the particular space in which it is sparingly shown. Quite why should a simple metal block seem so profound? *Multum in parvo* perhaps: the world in a grain of sand?

The Price/Watford

Martin Hoyle

Like those prophets unhonoured in their own country, Arthur Miller is regarded with more critical awe in Britain than he currently enjoys in America. The latest chapter in the British reassessment of his *oeuvre* unfolds at Watford's Palace Theatre where Lou Stein's production makes a strong argument for this 1968 dissection of moral responsibilities and personal resentments within a family.

Victor is a cop approaching retirement age, full of regrets for wasted academic potential. Esther, his wife, is concerned with their material problems. For the first time in 17 years they meet Victor's brother, a wealthy and successful medical scientist, all brought together by the recent death of the men's father and the need to dispose of his furniture.

Michael Pavelka's set presents us with a towering congeries of chests, drawers and mirrors, even an architrave of sofa and chair surmounting the central doorway. The room is a metaphor for the past, the discarded and defunct, dead thoughts of a no-longer functioning brain cluttering the skull. The fourth character is the aptly-named Solomon, an octogenarian dealer come to value tha goods and make an offer for them. His chirpy, *chutzpah*-laden heckling, haggling and banter force the brothers to revaluate their own past, and forms a descant to the family's increasingly reproachful reminiscences.

As in many Miller plays, the effect is cumulative as revelations are teased out almost inadvertently. The first is that the old father, apparently ruined by the Wall Street crash, whom Victor sacrificed his own career to look after while brother Walter callously deserted to pursue his own life, actually had money. The second is that Victor knew it all the time, and he is accused by his brother of enjoying the fantasy of martyrdom.

Important themes are touched on – children being brought up with the success ethos, the close relationship between stubborn independence and self-pity. The play slightly loses tension with the conventionally-depicted loneliness of the successful brother who has to cope with lines like "I thought it was time we got to know one another." We are finally left unsure to what extent Miller is pardoning, even advocating, self-delusion; but there is good playing, notably from John Bowe and Sara Kestelman as Victor and Esther whose relationship is pivotal to the action. David Graham is rather too young for a sprightly 89-year-old (actors of the right age are not too thick in the pages of Spotlight) but lively, pointed and in equal measure funny and exasperating. For all its ultimate descent into wordiness the piece holds the stage well in this production.

Moon on a Rainbow Shawl/Almeida

Claire Armitstead

One of the most pressing themes to emerge from Britain's black theatre movement over the last few years has been a reappraisal – sometimes nostalgic, often bitter – of the mass postwar exodus from the Caribbean, as seen by the emigrants and their children three decades on. In that context, Errol John's Observer prize-winner of 1957 carries the satisfaction of rediscovering the first piece in the jigsaw, while providing a timely reminder of the dreams and frustrations which prompted so many to up sticks and head for colder climes.

The revival is the work of Akintunde Productions, a new GLA-backed company with the aim of raising the profile of black theatre by inviting in guests of international standing. Their first choice is Maya Angelou, who has created a production evocatively awash with calypso, set in a matchstick tenement that is home to Trinidad's underclass. Here, a small-time tart with a penchant for men in uniform rubs shoulders (and more, given half a chance) with an idealistic young trolleybus driver; a one-time star bowler fingers his bats and drowns his sorrows in a compound presided over by his chuckling, exasperated wife.

In the background, unseen but for the odd rag of Union Jack bunting and a motley straggle of GIs in search of local colour, a party is in full swing for the heroes returning from the war. The mood is of transition and uncertainty scented with hope and humour. Old Charlie Adams (Trevor Laird) might have been blown out by by a cricketing establishment obsessed with class distinction, but his sparky young daughter (Valerie Hunkins) has a scholarship, the passport out of the slums; busman Ephraim (Treva Etienne) might have got his girlfriend into trouble, but he keeps a grim hold of his boat ticket to Liverpool.

Claire Benedict's reading of Mama Adams creates a bit of a problem at the heart of the play: there is too little in this charming, easy-going woman of the ambitious mother and over-protective wife whose own daughter reproaches her at the end for driving her husband to crime. But elsewhere there are some delicious performances, particularly from Ellen Thomas as the *man-eating, hip-swinging* Mavis, in a show which luxuriates in the generous space of the Almeida. It is time GLA, which bewilderingly attacked the theatre on grounds of its race policy, helped itself to some humble pie.

Trivial Pursuits/Lyceum, Edinburgh

Michael Coveney

At the Lyceum, Edinburgh with the Glasgow Mayfest in full spate, the Edinburgh Lyceum has unveiled e new comedy by Tom McGrath designed to take the lid off Yuppie materialism in London. Awkwardly constructed, thinly written and badly directed, it merely takes the lid off new Scottish writing. It is neither a threat to Mayfest mayhem, nor a serious diversion from it.

Trivial Pursuits might have been intended as a domestic sitcom alternative to *Serious Money*. Vari (Jennifer Black) and Jack (Robin Sneller) are a childless high-riding couple living in a Thames-side penthouse that Jack has inherited from a working-class bachelor uncle in the brewery business. The implausibility of this bequest, source of Jack'a mild pangs of social guilt, bedevils the rest of the plot.

Vari is a freelance systems analyst, Jack a computer salesman. She brackets intellectuals with the unemployed as "unsuccessful." He keeps a fish tank video on the TV screen and does not want to know the value of the apartment. Jack's friend, Terry (a performance of suntanned, eye-popping crudity by Charles Kearney, a Melvyn Bragg lookalike) wants to sell the place and take a commission. Jack seems to be holding out for sentimental reasons, but is in fact cashing in on the new Charity industry, a proposed Museum of Beer acting as a cover for proliferating money-spinning investments in the Third World.

You cannot believe a word of this, but that matters less than the schematic fatuity of the writing. The fishtank is replaced by a video baby which burps and pees and finally walks in 3-D nappiness towards its parents. The glimmering screen baby (we never see it) is officially adopted by Terry's wife (a flouncing Victoria Hardcastle) once Vari'a pregnancy is confirmed. Other participants in director Ian Wooldridge's limp proceedings are an impressionable niece (Hilary McLean) who comes to stay and a ghastly camp young fogey (Liam Brennan) who is both on the make and on the run.

The play is too small and over-extended for a stage this size, although designer Colin McNeil provides a good impression of riverside opulence with windows, skylights, split levels, a towering glossy drinks cabinet and flashy abstract paintings.

McGrath says in an unctuously mock-humbla programme note that he wrote the piece while "following the footsteps of the yeti in the Himalayas." One of them (Denise Fraser) has apparently come back with him, and perches morosely on the black open plan furniture as a symbol of transcendental disapproval. Or is she perhaps a mis-placed extra from *The Mahabharata*? There always *was* a plan to take Brook's epic to Docklands.

Young Singers/Wigmore Hall

Richard Fairman

The London International Opera Festival has cast its net widely this year and one of the fringe events to be caught in the trawl was this operatic recital by four young singers on Sunday. It was a good idea to hold it at the Wigmore Hall, as the venue is kind to singers young and old, its sympathetic acoustics nurturing voices that are not yet at (or past) their peak.

In addition to the usual selection of arias, we were given a couple of scenes from Gounod's *Faust*, a welcome choice in so far as it showed the attention that is being paid to the special requirements of the French operatic style in our music-schools at the moment; but by and large this was an evening for admiring voices, rather than potential dramatic artists. The texts rarely told, nor did the characters come to life as they might have done.

The strongest feeling that opera might also mean drama came when Mozart's Figaro took the stage, in tha form of the young bass Alastair Miles. The words took on a new vitality and a lively sense of character came with it. At times here Figaro's repeated high E flats sounded constricted, bnt in a rare aria from *Salvator Rosa* by Gomez the voice (clean, slim, rapier-like in its attack) was pushed to its limits and opened out impressively.

The last scene of *La Bohème* Act One then brought together two singers favourably noted in recent college productions: Michael Forest from the Guildhall and Linda Clemens from the Royal College. The soprano sang as securely as she had in her Massenet opera, though with less sparkle or vivacity; while Forest's appealing tenor added to his reputation with an extra thrust of ardour and confident singing as Rodolfo. His *Faust* aria earlier lacked poise and stillness.

The fourth, and easily the most powerful, of the quartet was the mezzo Helen Hessey-White. This is a problematical voice that wells up large, freely produced, and full of colours, but needs continued and strict taming if it is to fulfil its potential. Ian Burnside was the supportive pianist.

New director for Hampstead Theatre

Jenny Topper has been appointed director of the Hampstead Theatre. She succeeds Michael Attenborough, who is leaving after 4½ years to become artistic director of the Turnstyle Group.

Sinfonietta/Elizabeth Hall

David Murray

The London Sinfonietta held another of its "Response" weekends on the South Bank, beginning on Friday with trial performances of school-age composers' pieces. In the evening, Elgar Howarth conducted a grown-up concert on an odd but tempting plan: rare Szymanowski music for very high soprano in the middle of each half, after something newish and Eastern and before something by Xenakis. One intended Eastern component was missing – Edison Denisov's *Chamber Symphony* isn't finished yet – but Ligeti's almost-familiar *Melodien* filled the gap with its deliquescent appeal and soft, subcutaneous thrills.

Just before his ravishing First Violin Concerto, Karol Szymanowski wrote the op.31 *Songs of a Fairy Princess* for his coloratura sister, who must have been remarkably accomplished. She could hardly have surpassed Eileen Hulse here. I have never heard this set delivered with such bell-like tone, soaring assurance and artful nuances. And I've never heard the op.46 *Slopiewnie* at all, a set from six years later, just before – but much smaller and more effective than – his neo-nationalist ballet-pantomime *Harnasie*.

At the piano for the untrammelled glitter of op.31, John Constable had been reliably intelligent but a touch dry. The evocative little orchestra for *Slopiewnie* not only sounded magical but showed how well Szymanowski had learned from Stravinsky's new economy – and from his *Nightingale*.

Recent Xenakis, his 1984 *Thallein* and the new *Waarg* bobbed lumpishly in the wake of high-middle Szymanowski. For some reason Xenakis has taken up old and obvious methods of construction (rather like recent Penderecki), bald enough to suggest unexplained parody.

A Triple Sextet (1980) by György Orbán seized the imagination with superior efficiency and wit. What looks on paper like dogged minimalism proved to move lightly and obliquely, with elegant swiftness and not a limp moment. Orbán's inventions for his oddest sextet (mixed keyboards, harp, cembalo and percussion) are clever, but not cleverer than what he does with his "normal" winds and strings. How does little Hungary generate so many composers with quirky personal voices and such polished technique? I think we should be told – or more exactly, it's time we found out.

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Saturday, the second day of the London Sinfonietta "Response" weekend, was entirely devoted to a celebration of Witold Lutoslawski, whose long relationship with the orchestra has produced much fruit of excellent quality.

The two concerts – Lutoslawski chamber works in the afternoon (played by the newly-formed London Sinfonietta Soloists), the composer himself conducting the Sinfonietta proper in the evening – offered no new works. What they added up to was a conspectus of a musical mind calm, orderly, rational, and elegant – one would couclude that list of adjectives with "civilised" if it did not carry faint suggestive overtones of artistic mildness.

Lutoslawski is not a mild composer: the whole of his long composing career has been an adventure in creative development, at once surprising and consistent, and it is far from over. The high points of the day were the performances of the String Qnartet (1964) in the afternoon, and then *Chain 1* and *Paroles tissee* with Neil Jenkins the vivid tenor soloist in the evening. The quartet and the song cycle come from the period when the adventure in contrasting freely nntated and "fixed" passages of music was in its first freshness, and producing a form of expressiou lucidly organised and unbounded in its imaginative freedom.

The *Chain* series, of which the first (1983) was directly inspired by the Sinfonietta itself, adds new resources of harmonic and colouristic richness to Lutoslawski's language. His example (like his presence throughout Saturday's eveuts, whether as introducer or co-ordinator of the musical events) is, in its unassuming, undemonstrative way, wonderfully inspiring.

Max Loppert

The last day of the latest of the London Sinfonietta's "Response" weekends was devoted to a single composer, and to a single, large-scale work. Heinz Holliger remains most widely known as the peerless oboist of his day, but he has pursued a parallel though less celebrated career as a composer.

Born in 1939, he studied composition with Boulez, and one of his relatively early works, the impressive *Siebengesang*, was at one time widely available here on record. But live performances of his music in Britain have been extremely rare, and we have heard almost nothing of his development since the mid 1970s, a period dominated by the composition of the *Scardanelli Zyklus*, the first complete British performance of which, together with associated lectures and a film, made up the Sinfonietta's demanding programme of afternoon and evening events on Sunday.

The cycle of pieces, calling in sum for a solo flute, chamber orchestra and mixed chorus, is built around the life and work of the German romantic poet Hölderlin: Scardanelli was one of the *noms de plume* behind which he hid the authorship of his poems. Holliger is thus part of a whole cadre of contemporary central European composers lately drawn to Hölderlin for inspiration that also includes both Nono and Henze. Holliger's immersion in the strangely detached expressive world has been more continuous and profound than any, however; composition of parts of the cycle has occupied ten years, from 1975-1984, and including alongside settings of some of the poems – grouped into 12 songs for *a cappella* choir and known collectively as *Die Jahreszeiten* (1975-78) – a collection of satellite instrumental pieces, the *Übungen zu Scardanelli* (1975-85), a substantial work for solo flute, *t(air)e* (1978-83), and several movements from *Turm-musik*, for flute, chamber orchestra and tape (1984), which was heard at the Huddersfield Festival two years ago.

Holliger allows the components of the *Scardanelli Zyklus* to be presented in assorted ways, and the Sinfonietta's performance followed a sequence devised by the conductor Terry Edwards, in consultation with the composer. It fell into three independent parts, each containing four of the verse settings, and a selection of the instrumental pieces that comment upon or amplify them, together with one of the more substantial works involving solo flute. The choral works – "Bruchstücke" and "Glocken-Alphabet" from *Turm-Musik*, and *t(air)e* – emerged with the strongest character: pungent explorations into the elements of sound and texture that bring Holliger's music into that border land between music and noise so thoroughly exploited by Lachenmann. The vocal writing, though, proved to be surprisingly austere – highly canOnic and often wlth a Webern-like sparseness, a similarity enhanced at times by the slender instrumental underpinnings.

What impact the cycle as a whola provided was achieved simply by remorseless accretion. The patchwork of vocal techniques and instrumental treatments seemed concerned more with trawling across musical styles for technical ends than in any real attempt to illnminate *Hölderlin's extraordinary life and* art. The essence of the poet was as remote at the end of the evening as at the beginning: the texts merely remained pegs on which the compositional exercises were hung. In immersing himself such a rarefied world Holliger appears to have lost much of the communicative power of his music; while it remains expertly written (and apparently expertly realised here by the London Sinfonietta and Sinfonietta Voices under Edwards, with the superb flautist Aurèle Nicolet) it has become totally forbidding in performance.

Andrew Clements

Saleroom/Antony Thorncroft

Pricey painted envelopes

In late Victorian times the colourful habit developed of painting the covers of envelopes in watercolour. The Edwards family was keen on the practice and thirty six covers executed by the artist George Henry Edwards, and sent to members of his family on their birthdays, came up for auction at Sotheby's yesterday. Prices far exceeded estimates.

An envelope which depicts a red chevalier sold for £2,970 as against a £100 top estimate while "posting the letter," a watercolour of a pretty young girl mailing her message, sold for £2,750. The "flower markat," a similar impressionistic scene, made £3,530. Both had been ludicrously forecast to sell for around £100, and went to the same London collector.

Christie's was concentrating on sales in Geneva and on Sunday disposed of modern illustrated books for £198,212, but with almost 50 per cent unsold. The top prices were the £27,500 paid for "Uu pelerin d'Angkor," with illustrations by Paule Jouve, which sold for £27,500, while "Les animaux et leurs homes," by Paul Eluard made £16,923.'

Jazz at the Royal Academy

Jazz and pictorial art will be combined for one evening, Monday May 16, at the Royal Academy in Piccadilly, London, when American clarinettist Bob Wilber will play with a quartet, recreating the classic jazz sound of Benny Goodman. Additionally there will be an RA All-Star jazz band and other guest musicians.

The evening, which begins at 7.00pm, includes a private view of the Summer Exhibition, champagne and supper and prizes. Income generated will go towards the Royal Academy School. Tickets are £45 or £75. Further information from (01) 734 9052.

Arts guide

May 5-13

Exhibitions

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The price of a single market

THERE ARE two main messages in the economic analysis by the Brussels Commission of the European Community's plan to create a single market by 1992. One is that if the EC limits itself to dismantling internal trade barriers, it will forgo a major opportunity to boost growth. The other is that realising the longer-term gains of further integration will entail painful short-term dislocations and sacrifices.

The study estimates that just removing barriers will yield some worthwhile benefits. However, it argues that these can be much increased if governments take advantage of the extra resources released to adopt more expansionary macro-economic policies.

The large margin of error in the study's projections means they can be only a rough guide. But they do suggest that in a genuine single market there will be room for West Germany, in particular, to take a more reflationary stance without risking automatically a higher budget deficit and inflation rate.

The corollary is that EC governments' economic policies must converge more closely. That is another way of saying that scope for national autonomy will be reduced. Indeed, the study argues that, even without agreement to stimulate demand, the risk of greater currency instability in a single market is likely to impel tighter monetary co-ordination.

Lesson for UK

There is a lesson here, particularly for countries like Britain, which seem convinced that they can get the full benefits of a single market on the cheap, just by harmonising such things as light-bulbs without conceding any traditional sovereign prerogatives.

The study's second message should deflate some of European industry's current public relations euphoria about 1992. It gives warning repeatedly that transition to a single market will involve harsh dislocations and short-term job losses as more efficient firms squeeze out less competitive ones. That should be self-evident: the overall gains from an economically more dynamic EC do not mean immediate and equal gains for all. Yet judging by the overwhelming optimism in European business about 1992, the message has still fully to sink in.

As the study points out, progress towards a single market will be frustrated if governments react by sheltering feeble sectors and companies from stiffer competition. However, it arguably under-estimates the strength of political and trade union resistance to adjustment. Specific short-term actions may be needed — for example, to assist retraining of redundant workers — in addition to the broadly expansionary macro-economic policies urged by the study.

Such measures could also head off pressures to ring the single market with barriers against third countries, notably the US and Japan. This is where the study is least satisfactory. In an attempt to paper over divisions between EC governments, it descends into bureaucratic double-speak about trade reciprocity and "European preference."

This obfuscation sits awkwardly with the study's otherwise uncompromising insistence on vigorous competition and ease of market entry. As 1992 approaches, the EC needs to resist siren calls from industry for more systematic external protection and corporatist industrial strategies. To accede to them would not only invite international retaliation, it would perpetuate the very inefficiencies which a single market is intended to eliminate. Furthermore, the suggestion implicit in such demands — that dominance of an integrated EC market by Europe's major industries is enough to ensure their viability — is nonsense in an era of global competition.

Overall, however, the study argues persuasively that while the potential benefits of a single market are big, they do not come free of charge. The richer the rewards, the higher the price in terms of political flexibility and structural adjustment. That price is likely to rise still further if economic conditions in the EC deteriorate sharply in the medium term. However compelling the arguments for further European integration, its achievement calls for courage, determination and a readiness to put the common interests of the whole Community above those of narrow national and sectional constituencies.

Peace hopes in southern Africa

ANYONE WHO has followed the tortuous diplomatic efforts over the past decade to bring independence to Namibia (South-west Africa) and peace to Angola, will be sceptical about the prospects for a successful outcome to the current negotiations.

The insistence by Pretoria and Washington that Cuban troops in Angola be withdrawn as a precondition to the implementation of a UN settlement plan for Namibia is the major obstacle. Also in the way is what amounts to a second precondition imposed by Pretoria and Washington: that the Angolan Government must either make room for, or form a coalition with, Dr Jonas Savimbi and his Unita rebels.

Yet following last week's unprecedented meeting in London between the US, Cuba, Angola and South Africa, changing regional and international attitudes allow for a glimmer of hope. There is encouraging evidence of a shared US and Soviet concern about developments in southern Africa. South Africa and Mozambique appear to be making renewed efforts to cement a non-aggression pact, which could be relevant to Angola's security needs. And President P.W. Botha knows time is running out for a US administration which has done its best to understand his predicament.

Factors for peace

On the face of it, the problem remains intractable. Although South Africa has accepted the UN plan, there are considerable doubts as to whether President Botha is really prepared to surrender the territory his country illegally occupies. In Luanda, President Eduardo dos Santos depends on some 40,000 Cuban troops for his Government's survival in its battle against Unita, which is backed by Washington and Pretoria.

But as Dr Chester Crocker, the US Assistant Secretary of State for Africa and orchestrator of the latest peace attempt, pointed out after last week's talks, three factors could help break the deadlock. Both sides may have come to the conclusion, after the inconclusive outcome to the intensified fighting of the past few months, that the dispute will not be resolved militarily. If this is indeed the case, the basis of a negotiated settlement is already on the table. And perhaps most important of all, there is what Dr Crocker called an "evolving" US and Soviet joint interest in resolving one of the areas of regional tension which have been on the agenda at recent super power talks.

If this joint concern takes the form of a willingness to underwrite a regional non-aggression pact between South Africa on the one hand, and Angola and Namibia on the other, it could pave the way to a settlement.

Costly war

The participants would have bitter pills to swallow in return for the peace the region so desperately needs. Mr Botha would have to accept Mr Sam Nujoma, leader of the South West Africa People's Organisation, as a neighbour. His hope would be that the departure of the Cubans and an end to the costly war in which white South Africans are dying would win more votes than would be lost to the extreme right wing. Mr Nujoma would have to live to South Africa's military and economic shadow — as Botswana does, without any loss of self-respect. President dos Santos would have to come to terms with Dr Savimbi and his Unita followers as a political force.

But given the interlocking nature of the conflict in southern Africa, such a regional pact has further implications. Pretoria can be expected to insist that Angola ends the activity of African National Congress guerrillas who train in Angolan bases — as did Mozambique in 1984, when it signed a non-aggression pact with South Africa.

Clearly the odds are against such a complex settlement. But it is hard to envisage any other formula with a chance of success. And should the talks now under way fail, it will be difficult to avoid the conclusion that a resolution of the Angolan and Namibian disputes is inextricably dependent on an end to apartheid itself, since that is the major source of tension to the region as a whole. If that is the case, peace will be a long time coming to southern Africa.

Ian Davidson looks at the way ahead for France after the election

A consensus around the centre

Parisian celebrations: Jubilant Mitterrand supporters flourish a placard emphasising the margin of his victory.

TENS OF thousands of Parisians, mostly young, many coloured, crowded into the streets to demonstrate their enthusiasm for François Mitterrand's crushing victory in the presidential elections. The celebrations lasted until the early hours yesterday. Arm-in-arm in the roadway, or crowded on the roofs of mini-vans, flags waving and klaxons blaring, they pressed towards the Place de la République and a pop concert laid on by the Socialist Party as the centrepiece of the festivities. The din was frightful, the night was warm, the mood was friendly; not a policeman was to be seen.

It was to many ways a surprising denouement to a distasteful election campaign. Surprising, because this popular exultation over the defeat of Mr Jacques Chirac and his neo-Gaullist RPR party recalled that other occasion, seven years ago, when Mr Mitterrand's supporters danced in the streets to mark their delight with his first presidential election victory, over Mr Valéry Giscard d'Estaing, and the end of 23 years in opposition. Yet so much has changed since then, that it was difficult to believe that the crowds were chanting the name of the same president.

After the roller-coaster in Mr Mitterrand's popularity and the brutal abandonment of the unreconstructed socialist policies which had caused such joyful optimism seven years ago, after two years of *cohabitation* in which his role as President was severely squeezed by the right-wing government which came to power in 1986, few would have expected that Mr Mitterrand could secure an even more triumphant second victory..

In one respect, Sunday night's celebrations were different. Traditionally, French Socialists celebrate at the Place de la Bastille, and that is where they celebrated Mr Mitterrand's first victory to 1981. The Place de la République, by contrast, does not carry the same political vibrations and its selection for Sunday night's concert initially caused some confusion among the party faithful, many of whom automatically swarmed towards the Bastille.

The choice was probably strictly practical: La République offers a larger open space for the deployment of the music stages and giant television relay screens which have been such a feature of this election campaign. But political wags have detected a political significance in the switch of venue, which they interpret as the transition from the Revolution to the Constitution, the outward symbolism of the contrast between Mr Mitterrand's confident left-wing programme of 1981 and the cautious pragmatism of his centre-left programme of 1988.

In view of the undertone of anxiety over France's economic problems, which were a constant background theme to the electioneering of all the major candidates, the undiluted delight of Mr Mitterrand's supporters seems over-stated or even misplaced. In the cold light of a rainy Monday morning, it is as clear as ever that Mr Mitterrand has offered no easy solutions and few clear recipes for France's difficulties. Nor, for that matter, did Mr Chirac or Mr Raymond Barre; but Mr Mitterrand's 54-46 margin of victory over Mr Chirac is far greater than the differences in their programmes.

If the French gave Mr Mitterrand such a smashing victory, no doubt they were voting at least as much against Mr Chirac as for Mr Mitterrand, at the end of a campaign which became increasingly bitter and discreditable as the weeks wore on.

Events first started to take a turn for the worse on after the first round of voting two weeks ago, when it emerged that Mr Jean-Marie Le Pen, leader of the extreme right-wing National Front had made a historic breakthrough with more than 14 per cent of the vote. Mr Chirac, by contrast, had come a poor second to Mr Mitterrand, and his ambitions of embarking on the final stretch of the campaign as the undisputed leader of the right, were in tatters.

From that moment on the right-wing campaign started to go sour. Many politicians of the centre and right have laid the original blame on Mr Mitterrand's Socialist government, for having introduced the proportional voting rules which in 1986 enabled the National Front to secure, for the first time, a substantial representation in the National Assembly. Whatever the rights and wrongs of that charge, it seems obvious from the substantial increase in Mr Le Pen's vote in the past two years that there is an abscess of fear and protest which has not been lanced by the "respectable" parties.

Over the past two weeks Mr Chirac and Mr Charles Pasqua, his populist campaign manager, have been making desperate attempts to lurch towards the right to recapture the voters who deserted to Mr Le Pen and the process has been marked by a series of *coups de théâtre*, which were flagrantly electoral in purpose, but which, in aggregate, cast little credit on France or its Government.

The return of the three French hostages from Lebanon, the release by force of 23 French hostages held by militant dissidents in New Caledonia, at the cost of 21 lives, the repatriation of Capt Dominique Prieur from detention on the Pacific island of Hao, all smacked of cynical manipulation of public opinion.

On the eve of voting, the Gaullists held a rally in the Place de la Concorde, for the "defence of the Fifth Republic," as though France's political institutions were threatened by revolutionaries; and as if by accident, rumours spread on Saturday that the Interior Ministry had conducted secret polls showing Mr Chirac as the victor with just over 50 per cent.

As a result of these *coups*, Mr Mitterrand now has at least three diplomatic problems on his hands, in addition to the task of forming a centre-left government in a National Assembly which until yesterday was assumed to have a narrow right-wing majority.

First, he must persuade France's allies, starting with Britain and the US, that the Government made no concessions to secure the release of the hostages from Lebanon, or at least none which could jeopardise the prospects of hostages *still* held there. Second, he must handle the protests of New Zealand over the return of Capt Prieur in defiance of the terms of her sentence for complicity in the bombing of a Greenpeace boat in 1985. Third, he must move urgently to defuse the tension in New Caledonia.

The verdict of the ballot box seems to have demonstrated that the French electorate was not impressed and may well have been alienated by the rightward lurch in Mr Chirac's campaign. For weeks if not months, a Mitterrand victory was favoured by all the opinion polls; Mr Chirac's essential requirement was to come a sufficiently close second to "save the furniture," as the French say. If he could not win, he needed to remain the undisputed champion of the French right.

In the event, the magnitude of his defeat has dealt a series of heavy blows to his ambitions. Historically, Mr Charles Pasqua may be right in believing that Gaullism had its roots in populism, but those roots may have withered for lack of a leader of heroic stature. If Mr Chirac reckoned that his best bet lay in a populist response to a populist challenge, just as his predecessors responded to the challenge of May '68 twenty years ago, he miscalculated badly. This has been the most serious defeat for the French right in the 30-year history of the Fifth Republic and it seems to suggest what many have suspected: that while Bonapartism may be a durable strand in the spectrum of the French right, it may not be a dominant strand without the charisma of a Bonaparte or a De Gaulle.

Mr Chirac's tactic of trying to woo Mr Le Pen's 14 per cent seems to have backfired, as many people predicted it would. Some leading centrist and centre-right politicians, who gave barely formal support to Mr Chirac while the campaign lasted, began to respond cautiously but positively to Mr Mitterrand's overtures as soon as the returns started to come in. Mr Barre expressed the hope that Mr Mitterrand would conduct his new mandate in such a way as to unite the French people, and former President Giscard d'Estaing made clear that he would not automatically censure Mr Mitterrand's new government, but would judge it case by case.

The relative open-mindedness of some of the centrists to Mr Mitterrand's victory is understandable on two grounds: it is partly a flight from the political and civic dangers represented by the rise of Le Pen and the apparent ascendancy of the Pasqua thesis in the Gaullist party; and partly no doubt a desire to take Mr Mitterrand seriously when he says he wants to replace the sterile switchback of left-right argument with a more centrist and unifying approach. Mr Giscard d'Estaing has long argued that France needs to be governed from the centre.

Yet the prospect of serious contacts between the centre-right and Mr Mitterrand's Socialists marks a paradoxical reversal of roles. In 1986, it was Mr Chirac who seized the opportunity of the right-wing victory in the general elections to form a government, even though it meant working with a Socialist President, whereas Mr Barre loudly denounced the evils of *cohabitation*. During this election campaign, it is Mr Chirac who has denounced *cohabitation* with increasing bitterness, whereas Mr Barre's language is beginning to sound like a tacit acceptance of something akin to co-operation, even if it does not extend as far as a governmental agreement.

The paradox is, of course, partly skin-deep, and has as much to do with opportunity as motive. In 1986, Mr Chirac thought that two years as Prime Minister would strengthen his credibility as candidate for the presidency; whereas Mr Barre was not a party leader, and could not claim the prime ministership even if he had wanted it. Today Mr Chirac is forced to denounce *cohabitation*, because it has failed to bring him any closer to the presidency; whereas Mr Barre and Mr Giscard d'Estaing are free to trade their support in return for policies they approve of.

Moreover, the electoral rebuff suffered by Mr Chirac has evidently whetted the appetite of both Mr Barre and Mr Giscard d'Estaing for heavier roles. After his defeat in the 1981 presidential election, Mr Giscard d'Estaing has sometimes been written off as a respected figure from the past; and when Mr Barre was heading for defeat in the opinion polls, it was widely expected that he would go into retirement. Now the two men appear to be competing with each other in claiming a new leadership role in a revitalised and more united UDF grouping of centre-right parties.

Yet if some of the centrists are apparently prepared to co-opt Mr Mitterrand, it is not just cynical opportunism. *Cohabitation* imposed periodic strains between President Mitterrand and Prime Minister Chirac, but it also revealed — or helped reinforce — a new-found consensus between left and right on a wide range of defence and foreign policy issues. Just as Mr Mitterrand brought the Socialist Party round to support the Gaullist policy of nuclear deterrence, so Mr Chirac brought the Gaullists round to more enthusiastic support for the European Community.

This consensus was further extended in the run-up to the election, with all three main-stream candidates speaking in almost interchangeable terms about the necessity of managing the French economy so as to improve competitiveness, about the challenge of the EC's single market after 1992, the need for a European currency and central bank, and the overriding priority of strengthening France's training and education systems.

The fact that this consensus was expressed by all three in terms of vague generalities may have helped drive the protest vote into the arms of Mr Le Pen; but on the evidence of political rhetoric, at least, the campaign has suggested that, for 70 per cent of the French electorate, most of the old ideological arguments are out-of-date. If Gaullism is hollow, the Communist Party has shrivelled to insignificance.

This consensus does not necessarily mean that France will be easier to govern. For better or worse, it is stuck with a constitution which was designed for a particular leader in particular circumstances. Nor does the consensus mean that France's problems will be easier to solve. But it may suggest that Mr Le Pen's 14 per cent is not the only significant fact about the 1988 presidential election.

OBSERVER

Cecchini's new Europe

■ Paolo Cecchini, a 61-year-old Italian economist, yesterday packed his bags at his Brussels flat to take a break in his home town of Perugia.

Cecchini is the author of the 6,000-page report on the benefits of a single European market. A condensed version was presented in London yesterday by Lord Cockfield, the vice-president of the Brussels Commission whose name will be for ever identified with it. It was Cecchini who put it together, and he wrote it from his heart.

Cecchini is the model of a modern European citizen. He has homes in Belgium, Spain and Italy. Thus he understands the market restrictions he has so faithfully chronicled. By chance, he was fuming over an example of the costs of non-Europe when Lord Cockfield asked him to start the project two years ago. A friend had sent him three bottles of wine from Spain as a thank you present for hospitality in Brussels. Belgian customs charged him BFr 925, 25 francs more than the price of the wine, to be allowed to take the bottles home.

Trained as a lawyer, he started his career as an international banker and joined the Commission in 1960. He dealt with the British accession, headed the Commission's department for relations with EFTA and then the EC's mission to the UN to New York.

After nine years as number two in Brussels' internal market and industrial affairs directorate, he was going into semi-retirement when Lord Cockfield asked him to produce his internal market study as a part-time job.

"It's a good way to crown a career in the Commission," says Cecchini, who claims that he was no more than the "chef d'orchestre" for his assistants and the 16 consultancy firms who contributed.

Now that the work is over, Cecchini plans to devote more time to his own part-time consultancy firm. It specialises in advising companies how to gear up for 1992.

"It's a letter of congratulations from Jacques Chirac."

Count the spoons

■ Sir Geoffrey Howe, the Foreign Secretary, was in cheerful mood telling stories in Stockholm yesterday.

There was a dinner of Warsaw Pact leaders to Bucharest some years ago, he said. The dinner service of gold and silver was a priceless collection from the house of the former Romanian monarchy. During the meal the Soviet leader, Leonid Brezhnev, noticed the Polish party boss, Edward Gierek, slip a gold spoon into his pocket.

After a while Brezhnev also picked up a gold spoon, perhaps intending to do the same. Accidentally he hit his wine glass with it. The assembled comrades fell silent fearing that a toast was on the way, but Brezhnev reassured them: "This is not a toast, comrades. I'm going to perform a conjuring trick. Watch me put the spoon into my pocket and then pull it out of Comrade Gierek's."

Le Pen's faux pas

■ Jean Marie Le Pen crossed the Alps on French presidential election day, launching his campaign for the leadership of the French right in a Roman cinema in front of 3,000 enraptured, if often incomprehending, members of Italy's fascist party, the MSI.

Internally divided and with a new, largely unknown leader, Massimo Fini, the party was looking for a little of the Le Pen magic to rub off in time for local elections at the end of the month.

Le Pen spoke only French and there was no interpreter. Beaming seductively and sartorially immaculate in a grey double-breasted with a florid red handkerchief cascading from his top pocket, he declared his lack of interest in the Mitterrand-Chirac encounter. "I have come here because what is happening today in France between pink socialism and pseudo-social liberalism is of no importance and anyway belongs to the past."

He seemed specially keen to disown the Fascist label to front of an audience which tends proudly to regard it as a birthmark and whose senior members do not disguise their nostalgia for the past. Le Pen said he was working for the birth of a Europe-wide movement ready to defend traditional values — God, homeland, work, family, justice, liberty and fraternity - against third-world contamination.

All of that gets a cheer from Italians, except the bit which is offensive to immigrants. One of the MSI banners in front of Le Pen proclaimed "neither racists, nor liberal democrats."

The Biblical inscription on the banner outside the Waldensian church opposite the cinema was less confusing. "Love the immigrant among you as you love yourselves," it said — in Italian.

Thames in style

■ Those who might like to enjoy the new-found beauties of the Thames in relative luxury are about to be offered an opportunity to join the London Yacht Syndicate.

For a once only subscription of £7,500 blue chip companies will be able to use the yacht Candida at cost for two five hour cruises a year over a ten year period. It was originally intended to call the scheme a time share, but that was considered insufficiently up-market and not everyone's experience of time-sharing has been good.

Candida can take up to 100 people at once, has the fittings of a decent hotel and can reach Putney Bridge or as far downstream as you like in the time available. The aim is to provide for conferences, product lunches and corporate entertaining. The syndicate will be made up of 125 members.

John Witham, the man behind it, says that up to now there has been no luxury yacht on the Thames for top City firms. He might just be on to a winner.

Different hicks

■ One of the side affects of Graeme Hick's success on the cricket field is that you can no longer use the expression "a bunch of hicks". In the 16th century Hick was a familiar form for Richard. Then it came to mean an ignorant peasant or, in American, a booby.

"A bunch of hicks" was a way of dismissing people with whose opinions one did not agree or did not want to argue with. Nowadays a bunch of Hicks should strike terror into the West Indians. Pity he can't play for England yet.

Necrophilia

■ Agatha Christie would have liked the property ad in Saturday's Financial Times: "Charming 17th century farmhouse with extensive buildings...mature gardens, lake, stream, paddocks, corpse."

Letters to the Editor

NHS proposals confused

From Mr Frank Field, MP

Sir, Charles Hodgson's article on the proposals put forward by the Adam Smith Institute and the Centre for Policy Studies to the Social Services Select Committee (FT, May 5) underestimates the significance of the evolutionary nature of these proposals to some extent. I, for one, was genuinely surprised by the careful, even conservative, attitude of those who advocated reform of the National Health Service (NHS) at the meeting on May 4.

Instead of the anticipated blueprint for a total re-organisation of the health service, the plans presented were for a number of limited experiments at a local health authority level. There were in fact two proposals. These got somewhat confused.

The Adam Smith Institute recommended the establishment of Health Management Units (HMUs), which would replace the family practitioner committees and both the district and the regional health authorities. The Centre for Policy Studies advocated the setting up of Managed Health Care Organisations (MHCOs) which would be set up *within* a single health authority. Significantly, it was stated that these MHCOs would not be allowed to compete with one another.

Moreover, as Charles Goldsmith noted, such experiments would be monitored for several years before any further changes were implemented. My assumption is that these would include allowing competition between MHCOs, and putting these changes into effect more widely.

It is not so much that the changes proposed are not radical – they undoubtedly are. It is more that, judging by yesterday's presentations, if such changes are introduced it will be in a piecemeal fashion that one does not associate with Mrs Thatcher's Government. If she wants plans for a "big bang" in the health service, it is clear that she no longer has the support of the right wing think-tanks which have made the theoretical running for the last nine years.

Frank Field,
House of Commons, SW1

Power must have responsibilities

From Dr L.G. Brookes.

Sir, Mr Andrew Warren (Letters, May 3) seems to be under the impression that he has refuted the arguments advanced by Mr John Lyons (Letters, April 27). The reverse is the case.

The lesson to be learnt from Mr Warren's American study is that non-aggregated private electricity systems need "powerful regulators" if they are to meet their public obligations – which was precisely Mr Lyons's conclusion. The result, under the Parkinson plan, is that distributors (who will have the statutory responsibility to ensure an adequate economic public electricity supply) and generators (who will have the job of producing it) will be subject to having their decisions "second-guessed" by regulators who will have neither of these responsibilities.

There could hardly be a more classic case of authority without responsibility.

L.G. Brookes,
16 Ipswich Road,
Bournemouth, Hampshire

Employment training costs shared

From Mr Ian Johnston.

Sir, On May 3 you reported the doubts of Ms Forbes of Unigate about employer support and contributions to employment training.

The Confederation of British Industry (CBI) and chambers of commerce have consistently supported the proposed developments. Design of employment training has involved employer representatives throughout. More importantly, it is not widely understood that the proposals for employment training already accommodate precisely the arrangements Ms Forbes advocates. She says: "Government and employers' money should be channelled into independent organisations charged with providing training."

In employment training, training managers, largely financed by the Manpower Services Commission (MSC), will be able to accept contributions from employers. This will normally be a contribution towards training costs of trainees on practical training with that employer. But there is nothing to prevent employers contributing towards initial directed training costs, so allowing more initial directed training to take place.

Ian Johnston,
Deputy Director General, Manpower Services Commission,
Moorfoot,
Sheffield, Yorkshire

More housing could steady prices

From Mr L.T. Smith.

Sir, The premature pricking of the South of England "Housing Bubble," or even its untrammelled growth, could bring the Thatcher Government down. It is therefore not entirely surprising that the 364 economists have not yet suggested the classic remedy: an increase in the supply of houses for sale.

As oil watchers will testify, there is nothing like an increase in supply of a commodity – or even the threat of an increase – to take the steam out of the upward pressure on prices. There must be more Docklands schemes covering the acres of derelict land in the capital, with the proviso that office building is strictly controlled.

L.T. Smith,
23 Markham House,
Kingswood Drive,
West Dulwich, SE21

An authenticated source of information

From Mr Amory Pakenham-Walsh.

Sir, Tom Lyon argues (April 26) from his Union of Independent Companies that because the small company environment in the US is freer than in the UK, and countries like Australia, France, West Germany, Italy and Japan do not suffer from not having a legal requirement for small companies to have their accounts audited, the UK and (presumably) Ireland should allow the directors and shareholders to decide about auditing the accounts on the basis of commercial need (undefined).

His argument puts audited accounts into the category of advertising and propaganda, ignoring interests which differ from, or are opposed to, those who direct and manage and/or those who own the companies. I refer specifically to employees, suppliers, and customers whose good relationships with the company are crucial to its prosperity and endurance on the business scene.

These persons are surely entitled to an authenticated source of information – such as they offered by professionally audited accounts – about income and career prospects, revenue, and supply continuity. Directors, too, can benefit from the impartial review of economic performance and financial viability.

Amory Pakenham-Walsh,
Kinsara,
Military Road,
Killiney, County Dublin,
Republic of Ireland

L'expression de ma considération

From Ms Joan Langrognat.

Sir, Our letter endings are somewhat simpler than the French (Letters, May 3), but they can still give cause for thought. Some years ago my French boss gave me a handwritten draft letter to type which he had candidly ended: "Yours truthfully."

Joan Langrognat,
6 Oxford Road,
Harrow, Middlesex

The Swiss market is still strongly influenced by private investors

From Mr F.E. Zollinger.

Sir, As a Swiss who happens coincidentally to be a shareholder of Nestlé, I feel it is time to try to rectify some misconceptions which have arisen as a result of the appearance of Jacobs Suchard and Nestlé on the British takeover scene.

The "lack of reciprocity" has been widely invoked as sufficient reason for preventing both these companies from acquiring Rowntree – or, presumably, any UK concern. This argument implies that there are legal obstacles which would prevent a UK company from buying up a Swiss enterprise; or that the Swiss authorities would take steps to prevent such an event.

Unlike its UK counterpart, the Swiss federal government has no statutory powers to intervene in such transactions, and it would almost certainly not be able to induce the Swiss parliament to grant it the right to do so. The essential point is that, in Swiss eyes, a joint stock company is like a club; nobody is under a compulsion to buy shares, just as anybody is free to join or not to join a club.

Conversely, a company has the right, subject to shareholders' agreement, to arrange its corporate affairs – within the general legal framework – in whatever manner considered appropriate, just as a club can lay down rules governing the behaviour of its members. If the majority of shareholders wish to strengthen the company's defences against predators, then it is their perfect right to do so - as Ciba-Geigy and Sandoz have recently demonstrated.

It is self-evident that such defensive moves must have an effect on the marketability of the shares concerned – a fact which has received increasing attention of late in Swiss financial circles. However, herein lies the essential difference between British and Swiss attitudes to takeovers: whereas the UK market is dominated by institutions which are almost exclusively profit-orientated, the Swiss market is still strongly influenced by private investors. As a rule, they would sooner forego a capital gain of whatever magnitude than see a Swiss company, with which they feel emotionally connected, pass into foreign hands.

By UK standards the Swiss approach seems reminiscent of the 19th century. But the Swiss believe that a society which is motivated purely by considerations of material gain is likely to atrophy. My own reading of history suggests this view might well be right.

F.E. Zollinger,
House of Barns,
Chobham, Surrey

Graded according to reliability

From Mr G.D. Kaye.

Sir, Simon Holberton ("Statistical hall of distorting mirrors," May 4) quotes a government official as saying: "There is a conflict between the desire for the best method of collecting statistics and the desire not to put too great a burden on industry."

In 1960 a Statistics Users Council was set up. There is a note in the Journal of the Royal Statistical Society detailing its history to date (Journal of Royal Statistical Society, series "A" (1984), volume 147, part 4). Among the main aims of the Council is a desire to improve the availability and quality of statistics in general, as well as the accessibility of official statistics.

The Council has stated its intention to form sector groups in order to bring together users with a common interest in a particular field of statistical activity. To my knowledge, no such sector group has been formed in the fields of life assurance and pensions.

The Central Statistical Office's financial statistics explanatory handbook gives the table of reliability gradings for the government-produced statistics. It is interesting to note that the statistics relating to private sector pensions funds and life assurance companies are given the lowest grading.

Is it not time that the mooted lobby was formed?

G.D. Kaye,
School of Mathematics, Actuarial Science and Statistics,
City University,
Northampton Square, EC1

If intended for publication, letters to the Editor should include, where possible, a daytime telephone number.

Report of her death much exaggerated

From Mr Graham Willmington.

Sir, Friends of Mrs Char were deeply distressed to read premature reports of her death ("Whitehall tea ladies pour their final cuppas," May 3). The lady is very much alive and well in London – to be precise, at New Court, 48 Carey Street, WC2.

There she wheels her trolley and tinkles her bell twice daily to dispense tea, coffee, buns and biscuits to staff of the Monopolies and Mergers Commission, the Inland Revenue, the Department of Health and Social Security, and the Paris and Oslo Commissions.

Graham Willmington,
19 Upper Tooting Park, SW17.

Ce n'est pas la même chose

From Mr Graeme Ward.

Sir, In his letter (April 20), Mr L.A. Nassim inquired why French retailers paid a much lower sales commission to credit card issuers than UK retailers.

He compared the French average merchant service charge of 0.87 per cent with an average of 2.5 per cent in the UK. In France, any bank member of the *Cartes Bancaire* (CB) scheme can contract any retailer to accept CB cards, which may be affiliated to either MasterCard or Visa. This contrasts with the UK situation: only Barclaycard and the Joint Credit Card Company (Access) contract retailers to accept Visa and MasterCard respectively. Thus the answer to his question lies more in the competitiveness of French banks than in the militancy of French retailers.

However, the differences do not end there. The French cards are not strictly "credit" cards, but "deferred debit" cards, for which the customer has to pay an annual fee. There are no indications that British customers would be prepared to bear such a charge in return for a lower charge to the retailer which may or may not be passed on.

The card issuer may get paid in three ways: interest on debt (partially offset by interest-free credit periods); merchant service charges; and charges to cardholders. Interestingly, whichever combination is chosen, the impact on the banks' bottom lines shows a fair degree of correlation. So far as the UK is concerned, the Monopolies and Mergers Commission is investigating the position and should report next year.

It will be interesting to see how these differences are resolved, under the recently proposed European Banking Accord, by the time the single market arrives in 1992. *Plus ça change?*

Graeme Ward,
Finite Group,
341 Midsummer Boulevard,
Central Milton Keynes, Buckinghamshire

It pays to increase your Gower power

From Mr John Griffith.

Sir, Two – and only two – cheers for the report of the committee of inquiry into the teaching of English language.

In such a work one expects at least blameless, if not scintillating English, but to judge from the extract printed (FT, April 3), we must be content with ungainly varbal pinchbeck: " . . . .speakers may be rightly proud of their regional pronunciation, which *identifies* (my italics) where they come from."

Sir John Kingman and his illustrious colleagues should be made to copy out 50 times in their own handwriting all the dictionary-definitions they can find of the verb *to indicate.*

John Griffith,
Jesus College,
Oxford

Duty-free sales changes after 1992 will affect cross-Channel costings

From Mr J.C.C. Sworder.

Sir, David Lascelles, in his article "A mounting problem for Eurotunnel insurers" (May 3), suggests that "nearly half the Eurotunnel revenues will come from the railways. The remainder will come from the 'shuttle.'" Eurotunnel's prospectus, in fact, suggests 41 per cent and 50 per cent respectively, with the remaining 9 per cent supplied by "ancillary activities."

We must assume that the latter includes duty-free revenue, as with sea and air at present. This is suggested in Eurotunnel's Traffic and Revenue Assumption VIII: "That Eurotunnel will be able to make duty and tax-free sales to passengers using shuttle services."

Andrew Taylor, in "Tunnel looks to sink ferry threat" (April 30), notes the problems of the ferry companies "attempting to get their investment returns . . . back to an acceptable level, particularly if duty-free sales disappeared in 1992."

Interestingly, P&O is not so uncertain. In recent full page advertisements concerning its current problems, it states: "market eqnalisation in 1992 will mean the loss of our duty-free revenue." We should note also Eurotunnel's claim, in its Assumption I: "In particular the current proposals for the internal market within the European Community have been taken into account." I wonder if that squares with Assumption VIII on the matter of duty-free after 1992?

Of course, both these competing modes of cross-Channel travel – and the airlines – should be equally affected by this change, and fares will have to make up the balance. But what difference does this make to Eurotunnel's comparative costings?

However, if congestion at the Cheriton terminal can be cut down by persuading shuttle travellers to drive straight on, not halting for any purpose, that may attract some – but still deter others. After a long approach drive, the restful break of the sea crossing may have much to commend it.

J.C.C. Sworder,
Thorpe House,
Fordcombe, Kent

FOREIGN AFFAIRS

The memories that will not go away

Edward Mortimer draws lessons from two books that describe the creation of the state of Israel

ISRAEL CELEBRATED its 40th anniversary last month, according to the Jewish calendar. That leaves May 15, next Sunday, as a day for the British, and for the Palestinians, to mark the anniversary according to the Gregorian calendar of the end of the British mandate in Palestine. I say "mark" because for neither people could the word "celebrate" possibly be in order.

The British are on the whole proud of their colonial record, and more especially of their record of decolonisation. Unlike France, Portugal and Belgium, Britain bowed gracefully before the wind of change, avoiding the agony of long-drawn-out colonial wars or the tragic fiasco of precipitate scuttle.

That is how the British like to remember it. It is less pleasant to dwell on the unresolved communal strife and consequent bloodshed that Britain left behind in so many parts of the world. And perhaps the least pleasant of all to remember is Palestine.

There Britain did not just fail to resolve an intercommunal conflict, or even exacerbate it by playing off one side against another in a spirit of "divide and rule". It created the conflict virtually from scratch, by seeking a mandate to govern the country not in order to prepare its existing inhabitants for self-government but in order to make it a "national home" for another people, the vast majority of whom at the time were living in other parts of the world.

Not surprisingly, Britain found it impossible to obtain the consent or co-operation of the resident population in this enterprise. Faced with their determined opposition, Britain soon began to retreat.

First, in 1921 Winston Churchill, then colonial secretary, restricted the Jewish "national home" to the area west of the Jordan and constituted the large but mainly infertile area east of the river into a separate Arab emirate of Transjordan. Then in 1937, with the Arab population of Palestine in open revolt (much as it is again now in the occupied territories), Britain sent out the Peel Commission which recommended a further partition. In 1939 even this was dropped and Malcolm MacDonald's white paper outlined a policy which would have led to independence with the Arabs still a majority.

But by this time the Jewish *yishuv* ("settlement") was already an embryo nation-state, and Hitler's holocaust soon provided a powerful moral argument for further massive Jewish immigration. After 1945 Britain found itself unable to resist this pressure but unwilling to face the outright conflict with the Arabs inside and outside Palestine that it implied. It threw the problem into the lap of the newborn United Nations and withdrew, leaving Jews and Arabs to fight it out. Asked to whom he would give the keys of his office the last British Chief Secretary in Palestine replied, "I shall put them under the mat."

"Palestine" disappeared from the map, because the new Jewish state took the name Israel, while the Arab state proposed by the UN never came into being. This fact is usually blamed on the Palestinian leaders who rejected the partition proposal, but someone else had a lot to do with it: Abdullah ibn Hussein, the Hashemite prince for whose benefit Churchill had created the emirate of Transjordan.

In a fascinating book published this week[1], Avi Shlaim, Reader in International Relations at Oxford, traces the long and tortuous manoeuvres by which Abdullah, behind a smoke-screen of support for Arab unity and Palestinian rights, sought and eventually obtained a partition of Palestine between himself and the Jewish leaders. He thereby transformed his barren emirate into the Hashemite Kingdom of Jordan and included in it the fertile hill country of central Palestine (what is now known as the West Bank) with the holy city of Jerusalem – where three years later he reaped his sad reward in the shape of the proverbial assassin's bullet.

Another 16 years passed and the territory Abdullah had gained was lost by his grandson to the victorious Jewish state, which thus came to occupy, and still occupies, the whole of pre-1948 Palestine. But 1967 was not a straight repetition of the *Nakba*, or Catastrophe (as Palestinians remember it), of 1948.

In 1948 the great majority of Arabs fled from the area which came under Jewish occupation. The exact circumstances in which they did so have ever since been the subject of bitter controversy – a controversy now arbitrated as fairly and objectively as it is ever likely to be by Mr Benny Morris, a scholarly historian who is also diplomatic correspondent of the Jerusalem Post[2]. He finds that there was no "blanket, national policy of driving out the Arabs" decided by Israel's leaders, bnt that many local Israeli commanders did forcibly evacuate Arab villages which they regarded as hostile or dangerous. Undoubtedly atrocities did occur (the massacre at Deir Yassin being the most notorious) and the news of these, no doubt magnified by rumour, encouraged many Arabs to flee. The alleged broadcasts of Arab governments urging them to do so are a carefully cultivated Zionist myth.

As Chaim Weizmann, Israel's first president, said, the departure of the Arabs was a "miraculous simplification of Israel's task." The Arabs who fled clearly expected to return as soon as the fighting was over, whatever its outcome. But Israel, intent on building a Jewish state, not surprisingly refused to let them do so.

In 1967 the fighting was over much more quickly and, though Israel did destroy some strategically placed villages, the great majority of the Arabs in the West Bank and the Gaza Strip, including those who were already refugees of 1948 vintage, stayed put.

Just as every Israeli knows about the *Shoah* (Holocaust), every Palestinian knows about the *Nakba*. And if the lesson of the former is that Jews are never safe unless in their own state defended by their own army, the lesson of the latter is that no Palestinian must voluntarily leave his home and his land.

If one thing is certain about the future of the occupied territories, it is that the Arab population will not leave voluntarily. If Israelis decide that their task of holding the West Bank and Gaza needs to be "simplified" as was that of 1948 by the departure of the bulk of the Arab population, they will have to use violence and coercion on a much greater scale than in 1948.

Even to mention such a possibility in a British newspaper will no doubt sound to many like irresponsible anti-semitic scaremongering. But the idea that the solution to the Palestinian uprising may have to be found in a "transfer" of the Arab population is now actively and constantly discussed in Israel itself. Starting from the extreme right led by Rabbi Meir Kahane it is seeping across into the mainstream right. In February, for instance, it was the subject of a meeting in Tel Aviv attended by a number of very senior retired generals.

If the territories continue to pose a very serious public order problem, and their inhabitants are no longer willing to contribute to the Israeli economy by providing cheap labour, Israeli opinion will inevitably polarise between those who favour withdrawal and those who favour getting rid of the population. And left to themselves the majority of Israelis may well drift gradually towards the latter alternative.

The strongest argument against it, for the floating voter, would be the effect that such a development might have on Israel's relations with the United States, on whose support Israel is as dependent as ever. But Israel has so often in the past got away with ignoring American warnings, and American politicians are so reluctant to use language in public that might sound like even a criticism of Israel, let alone a threat to withdraw support, that there is a real danger of this argument being discounted.

A new *Nakba*, if it comes, will be a Catastrophe not only for the Palestinians but also for Israel itself. Many Israelis are struggling desperately to prevent it: they deserve the fullest possible support of those who call themselves friends of Israel in the West.

[1] *Collusion across the Jordan: King Abdullah, the Zionist Movement, and the Partition of Palestine (Oxford, £35).*
[2] *The Birth of the Palestinian Refugee Problem, 1947-1949. (Cambridge, £30).*

FINANCIAL TIMES
Tuesday May 10 1988

South Africa plans bilateral peace talks with Angola

BY MICHAEL HOLMAN IN LONDON AND ANTHONY ROBINSON IN JOHANNESBURG

MR PIK BOTHA, the South African Foreign Minister, will hold bilateral talks with Angola later this week as part of continuing efforts to end the war in Angola and bring independence to Namibia.

The unexpected move, coming less than a week after the first round talks between US, South African, Cuban and Angolan official in London, was disclosed in Cape Town yesterday.

Mr Botha is expected to fly to Brazzaville, tha Congo capital, on Thursday for a two-day meeting with Angolan officials.

Although participants at the London conference agreed to meet again in the near future, yesterday's development took most observers by surprise, including the State Department in Washington.

The US has co-ordinated the recent diplomatic activity which culminated in the London gathering, but officials appeared to be unaware that the Brazzaville meeting was being planned.

The officials gave a cautious welcome to the proposal, however, suggesting that it could be a useful continuation of issues discussed in London.

South Africa and the US have insisted that an estimated 40,000 Cuban troops be withdrawn from Angola as a precondition to the implementation of a UN plan for the independence of Namibia, and the withdrawal of South African forces from southern Angola and Namibia itself.

It seems that neither the US nor Cuba will be present at the Brazzaville conference. It is also uncertain whether Pretoria wished the meeting to be publicised. Unofficial confirmation came only after news reports suggested that bilateral talks were imminent.

Mr Botha will be accompanied by General Magnus Malan, the Defence Minister. The composition of the Angolan delegation was not immediately known.

It will be a rare official excursion into black Africa for Mr Botha. The last known visit by the foreign minister to an African state was in 1984, when Mr Botha met Angolan ministers in Lusaka, the Zambian capital.

Coinciding with the latest Angolan initiative is an attempt by Pretoria to improve relations with neighbouring Mozambique. The two countries signed a non-aggression pact in 1984, under which Mapnto ended military assistance tn the African Nstional Congress of Soutb Africa, while Pretoria was expected to stop hacking the rebel Mozambique National Resistance. Mozambique has accused South Africa of breaching the pact, and continuing to assist the rebels.

Last month President P. W. Botha met an envoy sent by President Joaquim Chissano.

Newspaper banned, Page 6; Editorial comment, Page 24

Hilary Barnes reports on the issue dominating Denmark's election

Danes turn their attention to Nato

DENMARK goes to the polls today in a general election which is being fought on one crucial question: whether it is to remain a fully committed member of the North Atlantic Treaty Organisation.

The vote is unlikely to settle the issue decisively, but it and the consequent political manoeuvrings will be watched with intense interest by the rest of Europe.

Mr Poul Schlüter, the Prime Minister, said: "This is an election which will decide the destiny of the nation." Mr Schlüter, who has headed a minority, four-party non-socialist Government for the past five-and-a-half years, has threatened to resign if his coalition does not receive a clear majority.

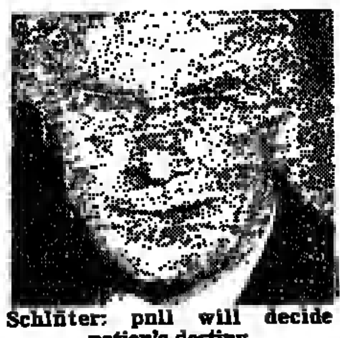
The election, the second in eight months, was called after s Social Democratic resolution passed by a centre-left majority on April 14 required the Government to inform visiting naval vessels that Denmark does not allow nnclear weapons on its territories.

The resolntion flew in the face of British and US policy of neither confirming nor denying the presence of nuclear weapons on their ships and thus posed a serious threat to future defence co-operation between Denmark and its Nsto allies.

Denmark's non-nuclear policy dates back to 1956 but, until now, there has been a live-and-let-live understanding that the allies acknowledge Danish policy, while the Danes have desisted from asking for specific assurances that their policy is respected.

The Social Democrats, in opposition since 1982, will play a crucial role in deciding future policy whatever the outcome of the election. The party supports Nato membership, bnt the tone of the campaign by Mr Svend Auken, the Social Democratic Party leader, has not encouraged Nato loyalists.

Mr Auken asked during his party's televised election programme on Saturday evening: "Are we to be the leaders in the struggle against atomic weapons, or are we to bow before foreign pressure? We want your support to say No to atomic weapons and Yes to a Nordic nnclear-free zone."



Schlüter: pnll will decide nation's destiny

SEATS WON IN 1987 ELECTION	
Conservatives	38
Liberals	19
Centre Democrats	9
Christian People's Party	4
Progress Party	9
Radical Liberals*	11
Social Democrats*	54
Socialist People's Party*	27
Common Cause*	4
Faroes/Greenland	4
Total	179

*centre left parties with majority on foreign policy

Today's election, the ninth in 17 years, will almost certainly leave intact the centre-left foreign policy majority, which includes the Social Democrats, the anti-Nato Socialist People's Party and the Radical Liberals. But the foreign policy majority is unlikely to provide the basis for the next Government because the Radicals support the non-Socialist parties on the key domestic issues.

If the Socialist parties gain a majority (it would be the first time since 1966-67 and only the second time ever), Mr Auken can be expected to form a minority Government which would rely on support from the Socialist People's Party.

Serious differences between the Social Democrats and the Socialist People's Party on economic and foreign policy mean that the Government would lead a highly problematic parliamentary life, and perhaps a short one.

The more likely outcome of the election is a variation on the same indecisive parliamentary situation which existed before the election.

Mr Schlüter has promised to resign if there is no clear majority for his Government (a coalition of his own Conservatives, the Liberals – led by Mr Uffe Eliemann-Jensen, the Foreign Minister – the Centre Democrats and the Christian People's Party) together with the votes of the tax-protest Progress Party.

Party leaders will then go to Queen Margrethe to advise on who should "lead negotiations" for the formation of a new Government.

In these circumstances, the Radical Liberals will hold the balance between left and right in a hung parliament. Mr Niels Helveg Petersen, the Radical leader, says he will attempt to persuade the parties to agree on a government programme, covering both economic and foreign and defence policy, which can be supported hy a broad majority, whoever actually forms the Government.

Mr Petersen would prefer Mr Schlüter to Mr Auken as Prime Minister, but he sees himself as a possible compromise premier if it could resolve a parliamentary impasse. The Nato issue will be one of the trickiest that party leaders will have to tackle. If the Social Democrats and the Radicals insist on taking the wording of the April 14 resolution at its face value, a confrontation with the US and Britain seems unavoidable.

The fundamentalist reading of the resolution is that the Government is required to send a direct message to visiting naval ships telling them that Denmark does not allow nuclear weapons on its territory. Diplomats here say that this position is completely unacceptable to the UK and the US.

Implemented in this way, the resolution would mean that British, American and French naval vessels could not visit Danish ports or take part in Nato naval exercises in Danish waters.

Mr George Younger, the British Defence Secretary, has pointed out that this would prevent Britain from meeting its commitments to reinforce Denmark with troops from the UK or from holding exercises in Denmark with these troops. Denmark's membership of Nato would thus have little meaning since it cannot defend itself without reinforcements.

Mr Auken says he does not want a confrontation with Denmark's Nato allies, but he also told television viewers on Sunday evening that if there was a socialist majority "the first thing I shall do is to see whether there is a majority for the resolntion and for the Nordic area as a nuclear-free zone." Other inflnential Social Democrats say plainly that they want a direct message sent to ships.

Aversion to nuclear weapons and support for a Nordic zone appears to have deeply-rooted popular support.

While about 60 per cent of the electorate supports Nato membership, and fewer than 20 per cent is against, about 80 per cent supports the creation of a formal Nordic nuclear-free zone (the area is de facto non-nnclear already).

A majority – 46 per cent for and 22 per cent against, the rest undecided – would choose the Nordic zone even if it meant Denmark had to leave Nato, according to an opinion poll conducted last sutumn for the United States Information Agency.

Ms Ritt Bjerregaard, a former cabinet minister who chairs the Social Democratic parliamentary group, said: "We would be poor politicians if we did not listen to the views of the voters." She adheres strongly to the view that messages outlining Denmark's non-nuclear policy should be sent directly to visiting ships.

The Nato allies are listening. They will want a firm and durable majority behind a reformulated policy which remains consistent with the US and UK neither-confirm-nor-deny position. September may be a decisive month. That is when the 14,000-strong UK Mobile Force is next due to hold exercises in Denmark.

UK blocks Daiwa and Nomura gilts move

By Clive Wolman in London

NOMURA AND Daiwa, the two hig Japanese securities firms, have been blocked from becoming market-makers in UK Government gilt-edged securities because of a last minnte political intervention for which no one is admitting responsihility.

The Bank of England, which supervises the gilt-edged market and originally invited Nomura and Daiwa to apply to become market-makers last autumn, is embarrassed and angered at what it believes has been a clumsy way of putting pressure on the Japanese authorities to open up its financial markets to British firms.

Nomura was preparing to start its operations as a market-maker last Tuesday, immediately after the Bank Holiday. Its financial controls and systems received the Bank of England's approval in early February and it has already recruited a team of 20 dealers, salesmen and administrative staff.

Mr Eddie George, the Bank director with responsibility for the gilt-edged market, said that he had no objections to Nomura starting to trade as an official market-maker, with privileged access to the Bank's dealing desk, at the start of May. Daiwa was scheduled to start operating in early June.

However, on Friday, April 29, the Bank told Nomura it would not be allowed to start trading after the weekend. Nomura decided tn say nothing of the incident. The Bank said yesterday it could give no indication as to when Nomura or Daiwa would be authorised, if at all.

Who was responsible for the policy U-turn? "The two houses have been successful in meeting all their technical requirements as far as the Bank is concerned, but there is also official policy on reciprocal trade policy," was the most that the Bank would say yesterday.

What appears to have prompted a change of heart was a series of frustrating Anglo-Japanese meetings on opening up the Japanese financial markets over the last few weeks, in particular during the visit to Japan of Mr Geoffrey Littler, the leading Treasury official

So was the Treasury responsible for ordering the Bank to withdraw its approval? "The two firms have not been able to start trading when they wanted to, but beyond that we are not commenting," the Treasnry said last night.

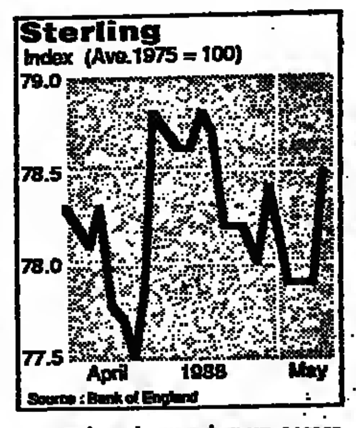
Treasury officials however pointed an sccusing finger at Barclays de Zoete Wedd, the leading UK securities firm, which, they say, has been aggressively lobbying government ministries and the Office of Fair Trading, Britain's trade watchdog, to put pressure on the Japanese by blocking their entry into the gilt-edged market.

BZW, and another UK firm, James Capel, have been denied membership of tha Tokyo Stock Exchange, on grounds of lack of space. However, BZW denied last night that it had lobbied the Government to ban the Japanese firms from the gilt-edged market.

The final suspect is the Trade and Industry Department which has also been actively lobbying the Japanese for greater access to their markets. Under the Financial Services Act it has the power to restrict the activities of any foreign firm from a restrictive home country.

THE LEX COLUMN

A second wind for sterling



Every foreign exchange trader must be aware of the folly of buying or selling on the basis of purchasing power parity, so it would be odd if yesterday's three pfennigs jump in the pound was entirely dne to a report from Goldman Sachs claiming the correct rate for sterling to he DM3.27. Perhsps the stndy caoght a couple of hig traders with their books the wrong way round, and correcting the position caused a speculative dash in the market. On this view, nothing changed yesterday - the pound merely moved from the bottom to the top of the DM3.125 to DM3.16 trading range in which it has been stuck for the past fortnight.

However, the sheer number and variety of explanations for the stronger pound offered yesterday suggests the market is talking itself into another tug of war with the Government over exchange rate policy. It may be true that election results in West Germany and France have increased the political charms of sterling; yesterday's rise in retail sales may make a cut in interest rates less likely; theBundesbank may not be planning an imminent rise in interest rates after all. Yet the fact is that traders are simply inclined to play sterling again; and the prospect of rising international interest rates - which recently had taken upward pressure off the pound – has been forgotten as last week's story. Light intervention by the Bank of England was enough to contain yesterday's rise, but the market again looks ready to go on pnshing sterling up until something gives.

Primary dealers

It was not so long ago that control of entry to government bond markets on either side of the Atlantic rested with the central banks, who based their decisions on such mundane criteria as capital adequacy and trading records. However, the whole subject is now degenerating into a game of political football between Western politicians and the Japanese. The Americans have already permitted several Japanese firms to become primary dealers, bnt if the current US trade bill is passed these firms will have to hand back their licences. Similarly, the UK Government now appears to be backpedalling on a commitment to allow Japanese brokers to become gilt-edged market makers, until Japan makes further concessions in opening up access to the Tokyo stock exchange.

While Japan has been slow in opening its capital markets to Western players, it is hard not to feel a certain amount of sympathy with the Japanese institutions since the politicians seem intent on moving the goal posts during the game. Meanwhile, Fuji Bank's interest in taking a 24.9 per cent stake in Kleinwort Benson's US primary dealer may be a pointer of the way ahead, since it does not appear to annoy anybody.

Dow/Montedison

Dow Chemical's assault on Montedison is a neat illustration of Italian complexity working against itself. The main trick in this kind of thing is to keep the opposition guessing; and merely by inserting itself in the whole tangle of Montedison/Enichem/Ferruzzi/META, Dow has created more options than it knows what to do with.

Through its direct stake in Montedison, Dow may hope to influence the shape of the forthcoming Montedison/Enichem joint venture; or it might use its existing links with Enichem to the same effect. Its stake in META can be used to embarrass Ferruzzi by championing the small shareholder at tomorrow's META meeting; or, when the Ferruzzi/META deal goes through – as doubtless it will – Dow's resulting stake in Ferruzzi could be used to influence Mr Gardini's plans for Montedison more directly. Dow could aim to take a stake in what is left of Montedison after the Enichem joint venture, or in the joint venture itself; or it could swap its holding, as it did with Morton Thiokol, for selected assets; or, as with the US drug company Rorer, it could simply cash in and walk away.

Dow's real problem, though, is political. There is already much heat over the idea that Montedison might sell off its dodgy bits to Enichem – that is, to the Italian taxpayer – and keep the good bits for itself. For a US company to start picking over these good bits would be more contentious again. Perhaps Dow's strongest card would be to point out that after the joint venture goes through, Montedison could be left with sales of as little as £2bn – unsustainably small for a world player in the chemical industry. Dow could, perhaps, offer itself in the role of big brother; but it will be under the closest scrutiny to ensure that it does not get paid too much for the job.

Paris Bourse

However impressive President Mitterrand's majority in Sunday's election, the markets clearly think it inconceivable that he will go back to Socialist basics, either in his choice of Prime Minister or in his policies. Indeed, investors are wasting very little thought on political speculation at all. Considerable uncertainties remain – over the exact political persuasion of the new Prime Minister, and the likelihood of parliamentary elections – but their resolution seems to be of more human than financial interest. The equity market could still be in for the small correction long predicted after the election, but it looks likely to be very small indeed.

All the indicators point, instead, to a continued rise against the background of strong fundamentals, a prolonged pause in the privatisation programme should ease strains on the market while demand remains strong. Corporate activity, too, will continue apace. However, when the likes of Suez feels it has to go for nearly FFr 10bn in capital increases in under two months – to finance the Société Générale de Belgique deal and, implicitly, as a defence against predators – things may be getting out of hand.

Non-voting shares

It's one thing for the owners of less than 3 per cent of Stead & Simpson's equity to be offered close to 200 times earnings to give up control of their company. For the other 97 per cent – being offered a tenth of that for their non-voting shares - being urged to hold out for more must be positively vexing.

Syria may intervene to halt Beirut battle

BY NORA BOUSTANY IN BEIRUT

SYRIA warned the warring Shia militias struggling for control of the southern suburbs of Beirut that it might be forced to send its own troops to intervene if the fighting continued.

"We have told the combatants 'you will force us to solve the problem if you do not agree to an end.'" Brigadier Ghazi Kanaan, Syria's Chief of Military Intelligence in Lebanon, said following a meeting with Mr Selim al-Hoss, the Lebanese Prime Minister.

Brig Kanaan, who was asked if Syria would deploy troops in the southern suburbs, told reporters: "We hope we will not come to this, but I will not allow the situation to continue as it is."

A Syrian intervention could lead to even more heavy casualties. An offensive against Sunni Moslem fundamentalists in the northern city of Tripoli in 1985 left at least 300 people dead and thousands wounded.

Loud booms of artillery, tank shells and mortars echoed through the sprawling and squalid slums as the pro-Syrian Amal battled with the Iranian-sponsored Hizbollah, or "Party of God," tenaciously entrenched in its last bastion on Lebanese soil. Amal defeated Hizbollah in fierce battles in the south of the country last month.

The fighting was fiercest yesterday at Bourj al Barajneh, close to Syrian positions on the airport road, according to Hizbollah. It was unclear which militia had the upper-hand.

The four-day battle for the area (which was not occupied by Syrian peacekeeping forces when they entered the western sector of the city in February of last year) and for the leadership of the restive Shia community has left at least 80 people dead and 150 wounded.

Defenceless civilians have left their homes in droves to escape the violence. Pitting brother against brother, the conflict has entered every home and family confusing boundaries between both camps.

Mr Hossein Sheikholeslam, an Iranian Deputy Foreign Minister who is his country's accredited ambassador to Syria and Lebanon, tried to negotiate a new truce between the factions. A 16-hour ceasefire broke down on Sunday afternoon.

Bank of England fails to arrest rise of sterling

Continued from Page 1

is very strong.

High street sales in the first quarter of this year were 1½ per cent higher than the fourth qnarter of last year and 8 per cent above the first quarter of 1987. Figures also showed a record monthly rise in outstanding credit.

The gilt-edged securities market failed to move ahead decisively in response to sterling's strength. By the end of trading the market for longer-dated securities had firmed only $\frac{3}{16}$ of a point to yield around 9.4 per cent.

Another surge in the pound of yesterday's proportions could force the Government to cut base rates again. In the gilts market this could lead to a rise in yields as another cnt in hase rates, which are already at a 10-year low, could fuel the market's fears over the outlook for inflation.

Currency markets, which had been sellers of sterling last week, took the opportunity to buy the pound after a Goldman Sachs report which calculated that UK industry would be competitive at rates as high as DM3.27.

Fuji Bank in US bond venture

Continued from Page 1

been seeking a place in the inner circle for more than a year, hoped to become a primary dealer this summer but now fears its application could be held up by the Fed until the end of the year.

Mr Hitoshi Ishihara, managing director of the international division nf Yamaichi, said: "They are very concerned about an oligopoly of Japanese dealers in the US. The Fed's move is very natural reaction to this (feeling)." Mr Ishihara said Yamaichi had been a reporting – or apprentice – dealer in the bond market since last July. Generally, promotion to primary dealer came after a year. "We could get the licence by July. But there is a possibility that it could be postponed until the end of the year."

Japanese banks have been shocked by the difficulties they have encountered making acquisitions of US financial companies.

1992 'will mean bigger companies'

Continued from Page 1

a coherent external trade policy for after 1992, but the purpose of the single market was not to increase protectionism. "The threat to a liberal trading regime comes not from tha EC but from elsewhere."

Lord Cockfield added that the UK should reconsider its refusal to join the European Monetary System in the light of 1992. There was no direct link between the two, but the UK's absence "is a disadvantage for the UK and it is certainly disadvantageous to the EC as a whole."

Membership would give UK trade and industry a degree of certainty, he said.

"The EMS is part and parcel of the movement in Europe towards the creation of a Europe-wide banking system and total liberalisation of capital movements," he added.

Other countries were apprehensive about liberalising capital movements in the absence of UK membership.

He declined to comment specifically on the controversy over the interest shown in Rowntree by Swiss confectioners Nestlé and Suchard, but said the creation of the single market would lead to many mergers within the EC.

Commission policy was that such mergers should promote and not obstruct competition and shareholders should be treated fairly.

The Rowntree situation has raised the question of reciprocity with other countries outside the EC which did not allow control of their own companies to passs into foreign hands.

Lord Cockfield said these were "difficult" issnes. The General Agreement on Tariffs and Trade was based on reciprocity, but it did not yet cover such investment issues

World Weather

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Sugarman boosts bid for Media General

By Roderick Oram in New York

MR BURT SUGARMAN, a Hollywood-based industrialist and television producer, has increased from $61.50 to $70 a share his offer for Media General, valuing the newspaper and broadcasting group based in Richmond Virginia at about $2bn.

Once again, however, the Bryan family which controls the company through a two-tier stock structure said it was opposed to any sale.

Trading in Media General's class A shares was halted at $46¾, pending news of the revised offer.

Its ownership arrangement was upheld late last month by Judge Richard Williams in a Richmond court.

He said any merger would require separate approval by class B shareholders. The Bryan family and its trusts own more than 70 per cent of B shares.

Mr Sugarman had argued that a simple majority of all 27.7m A and 560,000 B shares combined would be sufficient.

He intends to press on, however, with his proxy fight for three of the nine seats on Media General's board at its May 20 shareholders meeting.

The three seats are elected by class A stockholders and the other six by class B holders.

He has nominated himself for election, along with Mr Harold Simmons, a prominent Dallas investor and chairman of NL Industries.

For the third seat, he is putting forward Mr David Gotterer, the vice chairman of Giant Group, a California cement company which Mr Sugarman heads.

Mr Sugarman is making his takeover offer through Giant and Barris, a television game show company he also controls.

He has said he was not trying to "greenmail" Media General by forcing it to buy back his near-10 per cent stake in the group at an above-market price.

Campeau's US stores plan hit as Morosky resigns

BY DAVID OWEN IN TORONTO

MR ROBERT CAMPEAU'S ambitious US$6.4bn acquisition of Federated Department Stores has run into difficulty less than a week after the outspoken Canadian developer formally gained control of the large US department store chain.

The unexpected resignation of Mr Robert Morosky, president of Campeau Corporation's Allied Stores division, has deprived Mr Campeau of the tough administrator needed to oversee the restructuring of a combined Federated-Allied operation.

"This is the worst thing that could have happened for the short-term," said Mr Martin Braun, a Toronto-based analyst with Richardson Greenshields.

The development comes at a time when Campeau is under pressure to sell Federated assets to reduce its heavy debt burden.

The loss seems particularly unfortunate for Campeau, since cost control is widely believed to be where the best potential for improving Federated's operating performance lies. Mr Campeau recently told analysts that Mr Morosky must reduce Federated's costs by about US$150m over three months. The chain's sales per square foot are among the industry's highest.

According to sources close to Mr Morosky, the former vice-chairman at The Limited women's clothing retail chain decided to resign from Campeau when it became clear he would not be made chairman and chief executive of a combined Federated-Allied operation by June 1. "Mr Morosky has just as big an ego as Mr Campeau," as one observer put it.

Mr Campeau was believed to be scouting for a senior merchandising executive to complement Mr Morosky's considerable administrative abilities. This was thought to be partly at the behest of Federated division heads, mindful of Mr Morosky's lack of direct merchandising experience.

In the light of Mr Morosky's resignation, the indefatigable Mr Campeau himself has stepped into the breach to serve as chairman of both Allied and Federated. The search for a new Federated-Allied chief executive continues.

Cooper Industries to buy RTE

BY OUR FINANCIAL STAFF

COOPER INDUSTRIES, the large US manufacturer of industrial and consumer goods, has agreed to acquire RTE, a Wisconsin-based electrical equipment group, for $45 a share cash, or $322m.

The deal rescues RTE from a previous hostile $36-a-share bid from Mark IV Industries, a New York-based aerospace and consumer products group. RTE's board had rejected this bid and authorised management to explore alternatives.

Under the agreement, Cooper is to start, on or before Friday, a cash tender offer for all outstanding RTE shares at $45 a share. This will be followed by a merger in which all shares not bought in the offer will be acquired by Cooper at the same price.

The offer is conditional upon 75 per cent of RTE's shares on a diluted basis being tendered. Under the agreement, RTE's board will redeem RTE's preferred stock purchase right immediately prior to the purchase of shares in the offer.

RTE makes transformers and other electrical products, along with electronic products such as ACV oil-filled capacitors. It had annual sales of $330m in 1986.

Cooper had 1987 revenues of $3.8bn and makes products for the electrical, electronic, commercial, industrial, compression and drilling markets. In 1985 it acquired McGraw Edison, another industrial equipment group, and late last year it paid $140m for the industrial compressor business of Joy Technologies.

Mohasco goes private in $455m buyout

BY JAMES BUCHAN IN NEW YORK

MOHASCO, a US carpet and furniture maker, is seeking to thwart an unwelcome takeover by going private in a $455m leveraged buyout arranged by a division of Citicorp, the big New York banking group.

The Fairfax, Virginia group, which has enjoyed a big improvement in its carpet business since a reorganisation took effect in 1983, said a group of investors led by Citicorp Capital Investors would offer $36.50 a share for 93 per cent of the company.

The remaining stock will be bought out with securities with a $36.50 value.

Mohasco, which reported pre-tax earnings of $41.4m last year on sales of $806.9m, hired the Wall Street firm of Merrill Lynch in February to look for offers for the company after Nortek, a Providence, Rhode Island building products group, said it had 7 per cent of the company and was considering a takeover bid.

Citicorp Capital Investors will put up $173m in equity capital and subordinated debt finance for the transaction.

The remainder will come in loans from Citibank and Citicorp North America.

Electrolux offer for US group rejected

By Sara Webb in Stockholm

SHARES in Murray Ohio Manufacturing soared $18 to $53¾ yesterday, following rejection by the big US lawn-mower and bicycle manufacturer of a $48 a share, $182m cash takeover bid by Electrolux of Sweden.

The US group has also filed a lawsuit with a Tennessee county court which temporarily stops Electrolux, the world's leading white goods manufacturer, from buying any of its shares.

The legal action stems from claims by Murray Ohio that Electrolux had used an adviser at the law firm Sullivan & Cromwell which had previously provided legal advice to Murray Ohio.

Electrolux said it planned to oppose the legal action. It already owns a small holding in Murray Ohio.

Mr Anders Scharp, chief executive officer of the Swedish group, said Electrolux had wanted to increase its market share in the outdoor products sector by acquiring Murray Ohio.

Last year Electrolux group sales of lawn mowers and garden products totalled SKr4.48bn ($762m) and operating income amounted to SKr421m.

One third of outdoor products sales were in the US.

"The US market is very large and we thought Murray Ohio would be a good fit with our existing operations," said Mr Scharp.

Electrolux said it had been prepared to raise its takeover offer above $48 a share. The US group showed a net profit of about $7m on turnover of $438m last year.

Although the lawn mower operations are profitable, the bicycle manufacturing side is loss-making at present.

Electrolux group turnover reached SKr67.43bn in 1987.

FRENCH FINANCIAL GROUP UNVEILS FUND-RAISING PACKAGE

Suez in move to raise FFr5bn

BY PAUL BETTS IN PARIS

COMPAGNIE FINANCIERE de Suez, the French financial group, yesterday announced a package of fund raising operations totalling about FFr5bn ($877m) to complete the cost of its acquisition of a FFr6.8bn stake in Société Générale de Belgique and reinforce its capital assets.

Suez, which launched a FFr4.5bn convertible bond issue for the same purpose last March, provisionally reported yesterday lower 1987 consolidated net profits of FFr2.2bn against FFr2.37bn in 1986.

However, Mr Rénaud de la Genière, chairman, said the 1987 profits were at the top end of the group's revised earnings target after last October's stock market crash.

He said the latest financial transactions completed the capital raising operations designed to cover the cost of the Belgian acquisition.

The Suez group directly controls 29 per cent of La Générale and – with its other French and Belgian allies – the majority of the Belgian company after an epic takeover battle against Mr Carlo de Benedetti, the Italian businessman.

The latest operations have also reinforced the presence of large friendly shareholders in the capital of Suez. These now account for about 50 per cent of the group's capital, Mr de la Genière said.

The latest fund raising operations include:

● A series of new equity issues involving about 8m new shares to raise immediately about FFr2bn restricted to a number of large friendly French and foreign shareholders including the French UAP insurance group, the French BSN food concern, Saint-Gobain, the French glass group, the Australian Elders group, and Stephens, a US investment bank.

● An issue of warrants to all Suez shareholders which if converted over the next two years will raise a maximum of another FFr2bn and involve about 8m new shares.

● The group will open up part of the capital of Suez International, its international holding company, to a number of institutional investors raising a further FFr1bn this year.

● A series of rationalisation operations whereby Suez will absorb four small portfolio companies designed to clarify the group's balance sheet.

In the case of Saint-Gobain's new investment in Suez, this will involve a cross shareholding operation between the two groups.

Mr de la Genière said he expected about 80 per cent of the convertible bond issue to be converted into shares by the end of this year. This would involve a total of about 15.2m additional new shares.

Suez, like other major French groups, has been anxious to reinforce its base of friendly shareholders to protect itself from possible unsolicited approaches.

Cool response to Lisbon bourse reforms

BY DIANA SMITH IN LISBON

PORTUGUESE stock market operators have given a half-hearted welcome to a package of changes which they see as going only some of the way to revitalising securities business in Lisbon – where trading is a bare 10th of 1987 levels.

The package presented by Mr Miguel Cadilhe, the Finance Minister, and now approved by the cabinet, introduces computerised trading, new criteria for companies joining the exchange and more price flexibility, among other changes.

Alongside the package, parliament agreed to abolish stamp duty on stock market transactions: this was an expensive 0.6 per cent.

This precedes a major series of tax reforms due in 1989 that will weave the current tangle of personal, company and capital taxes into a single income tax system – one for individuals and one for companies.

The reforms are scheduled to involve allowances for dividend income on registered nominal or bearer shares and simplified company tax.

Mr Cadilhe's package of changes includes:

● Compnterised, paperless trading, a long-awaited step towards more efficient clearing. The depositary function remains the preserve of commercial banks, however. Thus brokers may still hit logjams at banks with inadeqnate stock market divisions.

● Two daily prices for 30 or 40 top-ranking stocks, a step towards continual price movements when the market develops the technical capacity to handle these. The creation of a second market for smaller companies may follow.

● Tongher capital, accounting and performance criteria for companies admitted to the stock exchange: capital must now be at least Esc200m ($1.45m)

● Individual brokers obliged to become firms, with increased financial capacity.

● New status for fund managers as parabanking institutions. They will also be restricted to using only one depository bank rsther than spreading themselves among several banks to obtain better service.

● Liberalised investment funds which may now be closed or open-ended and may specialise in fixed income or equities. Before, these were limited to mixed open-ended unit trusts.

● Ronds with warrants to acquire shares after a given period.

Market specialists complain, however, of not having been consulted about the package before it was finalised. They feel it reflects a tendency to tinker, when more solid incentives are needed to return demoralised investors to a bedraggled bourse.

Paul Betts on a French oil group's private sector ambitions

Elf seeks to break state chains

Michel Pecqueur: needs access to financial markets

THE EXECUTIVE suites of France's large state-controlled industrial groups have long been agitated by thoughts about what happens to the French privatisation programme after the presidential election. Now that President François Mitterrand has been re-elected with a comfortable majority, the issue is more uncertain than ever.

After the flurry of privatisations launched by the right-wing Chirac Government in 1986 and interrupted by last October's stock market crash, the socialists indicated that in the event of a Mitterrand victory, they would not contemplate a new wave of nationalisation. But at the same time they suggested they would not be in any great hurry to privatise existing groups in state ownership.

This approach, if confirmed by the future French administration, risks seriously frustrating the ambitions of groups like Rhône-Poulenc, the nationalised chemicals concern, and Pechiney, the state-owned aluminium and metal manufacturer, which have argued for months for privatisation. Both companies wish to tap international financial markets to finance development and fund big acquisitions.

Elf Aquitaine, the state-controlled diversified oil group, has also been making an increasingly vocal case for privatisation. Mr Michel Pecqueur, Elf's chairman, said last week a few days before the second round of the presidential election that although privatisation was not an urgent issue for the oil group it was none the less crucial for the longer term development of Elf. Mr Gilbert Rutman, Elf's deputy chairman, added it would be a serious handicap for Elf if it did not have adequate access to the financial markets through a process of privatisation.

However, Elf is in many respects a case apart in the French privatisation programme. Unlike Rhône-Poulenc, Pechiney or for that matter, the Renault car group, Elf has always had a large minority of its capital in the private sector. Following the sale of part of the Government's stake in Elf in 1986, the state interest in Elf, one of France's largest industrial concerns with profits of FFr4.1bn ($719.2m) on sales of FFr127.4bn last year, is just more than 50 per cent.

The problem for Elf is that it can only raise fresh equity on the market if the Government agrees to subscribe to its share of any eventual funding. The general feeling inside most state company headquarters is that French administrations, whether to the left or to the right, have become increasingly tight on new industrial funding policies.

Mr Pecqueur acknowledges that for strategic and political reasons any government would clearly be reluctant to privatise completely a group such as Elf. But he argues that it could still maintain control while allowing its own direct stake to fall below 50 per cent. Mr Pecqueur cites the example of CFP, the Total oil group in which the state holds effective control through a shareholding of just 35 per cent.

Mr Pecqueur believes a greater degree of private ownership in Elf would enable his group to develop "like any normal company" by giving it the necessary flexibility to turn to financial markets to help finance its international development when needed. In the past, Elf did not have the same external financing needs since it was able to fund its development on its significant revenues from its Lacq gas field in south-western France.

Lacq is no longer a cash cow, although Mr Pecqueur says its decline is under control with output stabilised at 3.5bn cubic metres of gas a year until 1992. However, this is still only half of of what Lacq was producing a few years ago.

Although Elf has a strong balance sheet and ample financial resources to fund new acquisitions – the group recently acquired for £308mn RTZ's oil and gas interests and its Sanofi pharmaceutical subsidiary launched an unsuccessful bid a few months ago for A.H. Robins, the US drug company – Mr Pecqueur would like to have the added flexibility of tapping the markets rather than increasing company debt in the event of major new acquisition opportunities for the development of Elf's three core businesses.

Mr Pecqueur defines Elf's longer term strategy as positioning the group on "three feet" – the oil and gas business; chemicals; and pharmaceuticals. This diversified structure has helped Elf counter the decline in its traditional oil and gas businesses by the strong recovery in its chemical activities, which were losing money in 1983 and are today very profitable, as well as the continued growth and profitability of the Sanofi pharmaceutical subsidiary.

Indeed, the combined profits of chemicals and pharmaceuticals were higher than the earnings from the oil sector, including upstream and downstream operations in the first quarter of this year.

Apart from further acquisitions to renew the company's oil and gas reserves in geographically and politically safe regions, Sanofi is still on the lookout for development opportunities on the US market. Mr Pecqueur says the chemical operations are also on the lookout for opportunites to comfort their competitive position.

The question now for most French state-sector industrial groups is how quickly the new Government will define its position towards privatisation. The feeling is that the new administration is expected to adopt a pragmatic approach to privatisation to enable state groups greater opportunities and flexibility to tap markets – in the French jargon to give them greater "respiration" or "breathing space."

But this revised process of privatisation may take time, especially if France enters a new period of heavy political turbulence and electoral confrontation.

Hoesch earnings hit by provisions

By David Goodhart in Bonn

HOESCH, one of West Germany's big four steel producers, has announced an increase in 1987 pre-tax profit and reported a strong first quarter for the current year.

The pre-tax figure rose from DM145m to DM191m ($114.3m), although after provisions earnings showed a steep decline. Turnover fell slightly to DM7.37bn to DM7.33bn.

After provisions, profits fell sharply from DM271m to DM49m, but Hoesch claims the highest level of provisions, at 39 per cent of its balance sheet, of any comparable German company.

An extraordinary provision of DM102m will cover future costs arising from various tax claims, retirement payments and social plan costs, relating to future plant closures. Debt has also been reduced by DM150m and is below 25 per cent of the balance sheet.

The company was especially pleased to announce a healthy DM50m profit from its steel division which still accounts for about 39 per cent of turnover – although the aim is to reduce it to 25 per cent.

The industrial (34 per cent of turnover) and the trade (24 per cent) divisions produced about DM88m between them, and over DM50m came from related companies.

Mr Detlev Rohwedder, Hoesch's chairman, said that the German steel industry was much healthier than events such as the closure of Rheinhausen made it seem.

He also said that the company was still seeking to expand its newest and smallest division, automation and systems, mainly by acquisition.

Net sales in the first quarter of this year were up 18 per cent and the order book at the end of March was 30 per cent up on last year. Cash-flow was up to DM401m from DM313m. The dividend remains the same at DM5 a share.

Aga buys French gas group

By Our Stockholm Staff

AGA, THE Swedish industrial gas company, has agreed to acquire Liquéfaction de l'Air, a French family-owned gas company based in Nice, in order to further strengthen its position in the French market.

Liquéfaction de l'Air has air separation, hydrogen, specialty gases, and acetylene plants and is the market leader in the area around Nice, where it supplies several customers in the electronics industry, as well as in Corsica.

It showed a profit on sales of FFr73m last year. Aga said it was interested in acquiring the company to build up a presence in this part of France.

The Swedish group already has a 10 per cent share of the industrial gas market in France following the acquisition last year of Duffour et Igon, whose operations are concentrated in the south and south-west of France.

Aga also has a subsidiary in Paris supplying customers in the north and has stressed its interest to the French market, which is dominated by L'Air Liquide with its 70 per cent share.

The French gases deal caps a busy, free-wheeling period for Aga, which earlier this year agreed to sell its troubled tool steel division for SKr580m. Last month, along with backers in a consortium, Aga conceded defeat in a SKr5.7bn bid to acquire Graningeverken, a hydroelectric power and forestry group.

Generali to raise L1,100bn

BY JOHN WYLES IN ROME

ASSICURAZIONI Generali, Italy's largest insurance company, plans to raise L1,100bn ($88m) through a capital increase designed to help finance a development strategy which includes a growing shareholding in Compagnie du Midi, the diversified French insurance and industrial group.

In a calculated reminder of its strength, the Trieste insurer yesterday also announced a 16.6 per cent increase in net profits to L254.2bn for 1987, and a 20 per cent increase in dividends for its 75,000 shareholders, taking into account a free share issue last year.

The next capital increase, to be put to a shareholders' meeting in June, will also include a scrip issue on a one-for-one basis which will raise capital from L420bn to L840bn.

The issue of 110m new shares at L10,000, carrying a premium of L8,000, will raise total capital to L1,060bn. This will be Generali's first paid-up capital increase for at least 10 years.

Yesterday's announcements from the Generali board also revealed that the company's stake in Midi had risen from 13.6 per cent to 14.5 per cent.

Having spent about L900bn building up this position and with plans to raise L1,100bn from its shareholders, the Italian insurer is still coy about its intentions.

An official said yesterday that the aim was to have a "leading voice" in Midi's affairs.

However, he would neither confirm nor deny that Generali was aiming for a blocking third which could halt the defensive merger announced last month between Midi and France's Axa insurance confederation.

This is due to be voted at a Midi shareholders meeting next month.

As a result of last year's profits, Generali's net capital has risen by 16 per cent to L1,606bn.

The company said that net profits had been hit by portfolio losses of L110.8bn but that gross insurance premiums had risen 24.1 per cent to reach L4,428bn, L2,545bn from Italy and L1,883bn from overseas activities.

The company said life premiums had increased by 41.3 per cent to L1,608bn while damage insurance climbed by 16 per cent to L2,820bn.

Dutch software group to expand

By Laura Raun in Amsterdam

VOLMAC SOFTWARE, the Dutch computer software house that is going public, and Cap Gemini Sogeti, the big French software company, are taking 5 per cent stakes in each other in a drive to expand abroad.

Volmac is being floated in a Fl 280m ($63.8m) deal that is the biggest initial offering in the Amsterdam bourse's recent history and certainly since last year's equity crash. Subscriptions for the 69.7 per cent of Volmac shares being offered publicly close tomorrow and trading begins on Monday.

Cap Gemini Sogeti is the biggest software house in Europe and has a minority stake in the recently merged Semacap group, which joined Cap Group of the UK and Sema Metra of France.

Cap Group split off from Cap Gemini Sogeti some years ago.

The complex cross holdings will widen the horizons for all three groups in the triangle, giving Volmac an indirect stake in Semacap.

Volvo and SAS to form joint venture

BY SARA WEBB IN STOCKHOLM

VOLVO, THE Swedish motor, engineering and food group, and Scandinavian Airlines System have agreed to form a jointly-owned company combining their civil aircraft engine overhaul operations.

SAS had been in discussions earlier with Volvo Flygmotor, Volvo's aerospace subsidiary which develops, designs, produces and markets engines and components for both military and civil aircraft, and with FFV, the Swedish state-owned defence company, about selling off its unprofitable Lintaverken operations which overhaul engines.

However, it said yesterday that it would own 75 per cent of a joint company with Volvo Flygmotor and hope to use Volvo's contacts to woo more international customers instead.

The jointly-owned company will perform maintenance work on chiefly DC-9 and McDonnell Douglas engines, SAS said.

The SAS engine overhaul operations have a turnover of about SKr700m ($120.6m) and made losses of between SKr15m and SKr20m last year.

SAS said that it faced problems because of overcapacity in the European market for overhaul work and because many airlines have updated their fleets with long-distance planes which have fewer motors and therefore require less maintenance.

The Scandinavian airline recently lost custom from Swissair when the Swiss airline changed aircraft. Its customers include KLM of the Netherlands, and the Swedish domestic line Linjeflyg.

Volvo Flygmotor showed a profit of SKr264m on sales of SKr2.185bn last year although the civil aircraft maintenance work only had a turnover of SKr100m. Its customers include Sterling Airways, Maersk Air and Adria Airways.

Hapag-Lloyd profits move back up

BY ANDREW FISHER IN FRANKFURT

PROFITS of Hapag-Lloyd, the West German shipping and travel group, moved back up again last year, helped by a sharp rise in tourist earnings. Shareholders will be paid a higher dividend.

Group net profits totalled DM71m ($42m) compared with DM53m in 1986, when the result was badly affected by the weakness of the dollar, the poor state of shipping markets and a high depreciation charge.

Last year's profit was still below the DM100m the group earned to 1985.

The dividend is to be raised to DM6 a share from DM5. As the Hamburg-based group's finances have recovered after heavy losses in 1982 and 1983, its shareholding structure has undergone a considerable change.

Apart from Deutsche Bank and Dresdner Bank, which have scaled down their combined holdings from 80 per cent to 25 per cent, its owners include Lufthansa, the German airline; Kaufhof, the store group; Veba, the energy concern; TUI, a tour operator; and Gevaert, the Belgian holding company.

Egyptian Islamic investment in turmoil

BY TONY WALKER IN CAIRO

EGYPT'S HUGE Islamic investment sector, which has been the subject of anxious government scrutiny, appears to be in turmoil after a series of confusing developments relating to the activities of the biggest investment house.

El Rayan, the sector leader, yesterday published the latest in a flurry of full-page national press advertisements stressing the company's strength and seeking to counter unfavourable publicity.

This includes the sentencing to two years in jail of Mr Mohammed Tewfik, one of the family which controls the company, on charges of violating a ban on importing commodities.

Indications that all might not be well with the fast-growing Islamic investment sector surfaced last month when it was announced that Al Saad, one of the big four investment houses, was merging with El Rayan.

However, officials of the Capital Markets Authority, Egypt's financial regulatory agency, said no approval had been given.

Officials of El Rayan and Al Saad said subsequently that the companies had not merged, but had formed an "association".

Speculation that Al Saad, which has moved heavily into investments in struggling local industries, may be in difficulties has been denied by the company.

Islamic investment houses which pay investors a share of "profits" as opposed to interest on deposits – Islam bans usury – have capitalised on the strengthening Islamic religious trend in Egypt.

El Rayan, which yesterday was still paying 20 per cent on deposits, had some 200,000 investors at end-1987 and funds equivalent to more than US$1bn, according to company representatives.

The Government is about to introduce a law regulating the activities of more than 200 Islamic investment companies that have sprung up in the past several years.

This will oblige the companies to issue shares in exchange for deposits rather than simply accepting funds and to commit funds to a government administered pool to indemnify shareholders against possible losses.

Other measures include a requirement that investment companies publish annual balance sheets and disclose fully the nature and extent of their activities. The authorities want to put an end to the practice of some these companies holding the bulk of their funds abroad.

Royal Jordanian chief forecasts return to the black

BY TONY WALKER, RECENTLY IN AMMAN

A MODEST turnround is in prospect at Royal Jordanian, the national airline of Jordan, after three years of operational losses between 1983 and 1986.

Mr Ali Ghandour, the chairman, said in an interview that 1987 profits would be in the order of JD1.6m ($4.8m), against a loss of almost JD1.8m the year before. Business in the first quarter of 1988 has been brisk, with traffic and revenues up 24 per cent on the same period last year.

Royal Jordanian (formerly known as Alia) has recently concluded sale and leaseback arrangements on five of its Lockheed TriStar airliners in a deal worth $165m arranged by a consortium of 24 banks led by Banque Indosuez. An additional $76m was raised from the disposal of other aircraft.

Mr Ghandour said the funds earnest by the end of the year. Outside auditors have been establishing the company's asset value, thought to be in the range of $260m to $280m.

The Government is to offer shares by private subscription depending on market conditions. Jordanian institutions such as banks and pension funds would be encouraged to become major shareholders.

Some 30 per cent would be offered to institutions, first in Jordan and then elsewhere in the Arab world. Employees would be entitled to purchase 10 per cent of the stock.

The airline sees privatisation as a means to give it the flexibility for competing both in the region and in the difficult markets of Europe and North America. The process of deregulation in the US and in Europe has from these transactions would "cover all our debts and leave us with some cash in the bank." This would facilitate not only Royal Jordanian's fleet modernisation programme but also an intended privatisation.

In the past year, it took delivery of three Airbus A310s and another three are to be leased over the next three years in preparation for phasing out the TriStars purchased in 1981.

Royal Jordanian has also placed orders for six Airbus A320s to be brought into service from 1990. Further purchases will depend partly on the airline's success in developing new routes to Asia, the US, and possibly South America.

Mr Ghandour said the airline was pressing ahead with its privatisation plans and it was hoped that the process could begin in fuelled these pressures.

In the private sector Royal Jordanian expects to be better placed to engage in co-operative ventures with other like-minded airlines.

While other regional carriers have been suffering because of a drop in traffic due to the oil price collapse, Royal Jordanian has been able to market itself out of a rut by targeting three passenger groups: tourists, businessmen and itinerant workers from Asia. It has taken advantage of Jordan's location as a transit point between East and West.

As a sign of renewed confidence Royal Jordanian began flying to Miami this month and will begin services to Delhi, Calcutta and Montreal in June. Mr Ghandour is hoping that the route to Miami will provide a gateway to South America.

Ali Ghandour, chairman of Royal Jordanian

Lower export earnings hit Rand Mines results

BY JIM JONES IN JOHANNESBURG

DETERIORATING coal export markets and higher export costs cut operating profit at Rand Mines, the mining arm of the Barlow Rand group, by more than a fifth in the six months to March, even though turnover was only fractionally lower.

The group's pre-tax profit was reduced by a greater amount as dividends from gold-mine investments were halved. First-half turnover slipped to R386m ($174m) from R390m, interim operating profits before dividend income, exploration expenditure and tax were R94.6m against R119.2m, and pre-tax profits fell to R100.8m from R133.0m.

Witbank Colliery, the group's principal coal mining interest, suffered from adverse exchange rate shifts and higher rail tariffs which reduced its export earnings. The directors do not say whether sanctions have affected exports, but Witbank has lost sales in the US.

The company's gold mines have all suffered lower earnings. Harmony, the largest, did not pay an interim dividend.

Interim net earnings fell to R6.10 a share from R7.40 but the dividend has been maintained at R1.05. Last year's earnings totalled R14.29 and the annual dividend was R4.35.

Spending spree lifts Nampak

BY OUR JOHANNESBURG CORRESPONDENT

NAMPAK, the South African packaging company, benefited from sharply higher consumer spending in the half year to March and is bidding for minority shareholdings in its Metal Box subsidiary.

Turnover rose to R1.12bn ($504.8m) from R997m and pre-tax profits to R142m from R103.4m.

Metal Box South Africa, which is 54 per cent owned by Nampak and 25 per cent by Metal Box Overseas, lifted interim turnover to R574m from R488m and operating profits to R55.9m from R42.1m. The British company has agreed to sell its shareholding to Nampak for R147m (£27m at the current financial rand exchange rate) and will be divesting completely from South Africa.

Nampak's interim net earnings increased to 163 cents a share from 117 cents and the interim dividend has been lifted to 54 cents from 40 cents.

Nampak is 73 per cent owned by C.G. Smith, a subsidiary of Barlow Rand.

● Heightened activity by South Africa's construction industry lifted sales and profits in the six months to March at Pretoria Portland Cement (PPC), which is also controlled by the Barlow Rand group.

PPC, the country's largest cement maker, and the cement industry as a whole have substantial unused production capacity, however, which is unlikely to be fully occupied before the turn of the century.

First-half turnover increased to R261m from R222m and pre-tax profit was R60.2m against R44.0m.

Sales of lime, largely to the agricultural and mining sectors, were little changed. Analysts expect demand for cement to increase as major civil engineering projects, such as the Lesotho Highlands water project, get under way. They caution, however, that recent credit curbs and higher interest rates could slow construction and housing starts.

Interim net earnings increased to 79.6 cents a share from 58.4 cents and the dividend has been lifted to 25 cents from 15 cents.

United Engineers gains KLSE relisting

By Wong Sulong in Kuala Lumpur

UNITED ENGINEERS Malaysia (UEM), a controversial construction group, is to gain a relisting on the Kuala Lumpur Stock Exchange later this month, following its emergence as a leading public vehicle of the ruling United Malays National Organisation of Dr Mahathir Mohamad, the Prime Minister.

UEM, shares in which have been suspended for the past five years amid heavy losses, said in a circular to shareholders yesterday that the KLSE has approved the relisting of its 75m shares following a restructuring scheme for the company in 1986.

Shares of UEM stood at 1.27 ringgit when they were suspended in May 1983. They are currently changing hands in off-market private sales at about 4.5 ringgit, valuing the group at some 337.5m ringgit (US$130.5m).

UEM returned to a small pre-tax profit in 1987 of 8.5m ringgit but this still left accumulated losses of 78.3m ringgit by the year-end. It expects pre-tax earnings of 32.6m ringgit for the current year.

Since control of the company was acquired by the UMNO party in 1986, UEM has managed to secure a number of important government construction and engineering contracts, including the 4.5bn ringgit north-south highway project.

UEM is to build the 800km (500 mile) highway over seven years, starting in August, in return for the right to collect tolls for 30 years.

The highway award was the subject of considerable political controversy. The opposition Democratic Action Party challenged the award to UEM right up to the supreme court, which ruled last January that the Government had the right to give the contract to UEM.

Hatibudi, a trust company of the UMNO party, holds 33.8 per cent of UEM's paid-up capital but would increase its stake to 50 per cent once convertible loan stocks worth a nominal 50m ringgit are fully converted.

Reil sells Lilypak to Finnish group

BY CHRIS SHERWELL IN SYDNEY AND OLLI VIRTANEN IN HELSINKI

REIL CORPORATION, an Australian investment group, yesterday sold its Lilypak disposable tableware company in a continued retreat from an abortive attempt to acquire control of Wormald, the fire protection and security group.

Lilypak is being purchased by Huhtamäki, a Finnish food, pharmaceutical and packaging company, for A$104m (US$80.1m). It is thought to have cost Reil about A$45m less than two years ago.

The sale follows Reil's decision in March to drop an arrangement with Wormald under which it would have increased its stake in the group from 17 per cent to 31 per cent over five years.

Having gone into Wormald just prior to last October's stock market crash, this failure to acquire control was costly. Under financial pressure, Reil began entertaining offers for Lilypak.

According to yesterday's preliminary agreement, which is subject to government approval, Huhtamäki's purchase price comprises A$82m for the share capital of Lilypak and A$22m of assumed inter-company debt.

Lilypak produces disposable cups and plates primarily for fast food chains and packagings for the dairy industry. It has two plants in Sydney and one in Auckland, New Zealand and had turnover in 1987 of A$100m.

On completion of the deal, Lilypak will become the centre of operations for Huhtamäki's Polarcup group in the Asia-Pacific region. Polarcup already has plants in Singapore and Saudi Arabia as well as Europe.

Huhtamäki said the deal would make Polarcup the world's third largest supplier of disposable tableware and the largest outside the US. Sales in this sector would rise by one third to some FM1bn ($249.2m). The Finnish group as a whole had a turnover of FM4.38bn in 1987, of which more than half came from international operations.

Polarcup's worldwide market share in disposables will, according to Huhtamäki, be 6 per cent, trailing Fort Howard of the US which manufactures under the Sweetheart brand (22 per cent) and the James River trademark Dixie (16 per cent).

According to Mr Mikael Lilius, Huhtamäki vice president for packaging, the business is "multi-domestic" by nature with production plants supplying mainly a local clientele. He added that Polarcup wanted another foothold in the Asia-Pacific region but "did not have the guts to enter the competitive Japanese market yet." Neither has it any plans to penetrate the US market.

Huhtamäki will finance the deal largely with proceeds from a rights issue which closed on Friday and in which it raised FM234m. But, according to a company official, the issue was not designed for this particular acquisition.

The group's largest business sector is confectionery which includes Leif, the sweets manufacturer with 11 production plants in North America.

For Reil, the transaction leaves it with one main operating arm, known as Sunbeam Victa, an electrical appliance and lawnmower group. It is also thought to be seeking to dispose of its stake in Wormald.

TNT profits well ahead at nine-month stage

BY OUR FINANCIAL STAFF

TNT, the Australian-based transport group, has reported nine-month net profits up by more than a third to A$126.5m (US$97.4m) from A$93.4m and expects to end its current year to June substantially ahead of the previous A$152.6m.

Revenues were A$2.69bn against A$2.30bn. Domestic operations and those in the US, Britain and Brazil increased profitability but this was partly offset by difficult trading conditions in New Zealand and a reduction in profitability in Canada, it said.

TNT is looking at ways to rationalise further in New Zealand. Canadian business suffered from "problems associated with the automotive industry."

Earnings at its TNT Ipec unit were lower, reflecting the cost of developing an overnight air-freight business throughout Europe.

Dominique Jackson on market reaction to Mr Mitterrand's victory

French dealers pin hopes on Rocard

JUBILATION WAS hardly the order of the day in Parisian bond dealing rooms following Mr Francois Mitterrand's victory in Sunday's presidential elections. Short-term political uncertainty is expected to cast a temporary pall over French bond markets. However, there was a tangible feeling of relief that it is now back to business for what is many analysts' current favourite among international fixed-income markets.

Pre-election nerves, compounded by the fears of inflation which have weakened many markets, had braked a significant rally in the first quarter. With the elections out of the way, most analysts expect to see the French market resume its rise.

"It's unlikely we will see any sudden major new rally but, taking a longer term view, the market looks undervalued and the outlook amazingly bullish," said Mr George Magnus of Warburg Securities.

On the domestic front, the news for French bonds is good, almost without exception. The only possible constraints will be external factors – both the threat of a European Monetary System realignment and the general malaise of other world markets, he added.

Since the authorities initiated long overdue deregulation in 1983, the French capital markets have blossomed, now rivalling better-known European markets in size, sophistication, and liquidity. At year-end 1987, total capitalisation of the French bond market was approximately FFr1,950bn.

Liquidity is excellent due to the large size of outstanding government issues, some as high as FFr44bn. This has been boosted by the success of the Paris futures market, the *Marché à Terme des Instruments Financiers* or Matif, which was established in 1986. A range of other hedging products is also offered, including futures, options on futures, and a mature swaps set-up.

Latest figures from Banque Paribas Capital Markets put inflation-adjusted yields on 10-year government bonds at 7 per cent in France. This compares with 5.6 per cent in the UK, 5.5 in Germany, 5.2 per cent in the US and 3.4 per cent in Japan.

Many foreign investors have found these levels irresistible and, in the final quarter of 1987, foreigners accounted for 45 per cent of business in French government bonds, although their level of participation has been more usually around 30 per cent. One Paris-based broker estimates that the 9.8 per cent French government issue due 1996 is the most traded bond in Europe.

Economic fundamentals favour French bonds over most of their European counterparts, notably UK gilts, with which they are often compared, given their comparable yields and currency risk. By year-end, French inflation is expected to be 2.5 per cent, down from 3.3 per cent last year and compared with an estimated 3.5 per cent in the UK this year.

Recent balance of payments figures provoked some short-term pessimism but there appears to be no chance of a significant worsening from last year's FFr32bn shortfall. However, most forecasts predict a three-fold widening in the UK current account deficit this year.

Given the inflation advantage, French government bonds are now at an average 200 basis point yield premium over gilts. Their attractions are further enhanced by investors' perceptions of sterling as close to a cyclical high.

The next potential hurdle for French markets is the threat of an EMS realignment, which

Michel Rocard – candidate for Prime Minister

could be precipitated by any further decline in the dollar.

One Paris-based analyst noted, however, that rumours of a realignment had been circulating for several months and were now largely discounted. In any case, while the franc band is likely to be lowered in an alignment, the range is not expected to move down radically.

Once the risk of franc devaluation through a realignment diminishes, French bond yields look set to drop. Despite pre-election worries, yields managed to decline in April, with 10-year French government yield spreads over West German "Bunds" narrowing by 33 basis points to around 270 basis points. Most analysts believed this could tighten further in the medium term to around 150 basis points.

One dealer in the Paris office of a large US house said 10-year yields could theoretically fall to 8 per cent, compared with 9.15 per cent at the end of last week. However, he added this would be difficult to achieve in practice, given the overwhelming upward pressure on world interest rates.

The bullish mood on government bond markets augurs well for the future development of the Eurofranc bond market. Although the market was successfully reopened in 1985 after the Socialist Government closed it in 1981, it suffers from a chronic lack of liquidity and the vestiges of *dirigisme* or excessive state regulation.

In the run-up to the single European market in 1992, this is being slowly improved. The Treasury has just reduced the minimum maturity on Eurofranc issues to three years, in a bid to boost liquidity, and has also indicated it would be willing to consider applications from French-based subsidiaries of foreign banks to lead manage new issues.

Paris is also well placed to benefit from the anticipated large upturn in cross-border business, particularly in swaps and financial arbitrage, which can only further boost the Eurofranc sector.

French bond markets slipped marginally yesterday, largely in response to last week's falls on the US Treasury market. Both foreigners and domestic institutions stuck to the sidelines ahead of Mr Mitterrand's nomination of a new Prime Minister, which will determine the political climate in the short term.

The market is currently rooting for Mr Michel Rocard, former Socialist Agriculture Minister, a leading figure in the party's centrist social democratic wing and the only man seen capable of pulling together an effective parliamentary majority. Dealers expect bond prices to rally if Mr Rocard is named. A sell-off is expected if he is beaten by former socialist Finance Minister Pierre Beregovoy who, as campaign manager, helped to engineer Mr Mitterrand's return to office.

Nikko Europe appoints woman to board

By Stephen Fidler, Euromarkets Correspondent

THE JAPANESE securities house, Nikko Securities, has appointed a woman as a member of the board of its European subsidiary, an unprecedented appointment at a Japanese institution.

The appointment of Miss Haruko Fukuda, 41, formerly a senior executive director in charge of the Japanese department at the UK stockbroker, James Capel, is aimed at broadening the firm's equity business in Europe. Although a Japanese national, she has lived in London for 28 years

Haruko Fukuda

and is the first of Nikko Europe's board members to be hired in the UK.

The appointment of a woman at such a senior level is unusual at a Japanese firm either inside or outside Japan. Mr Yuki Shirakawa, chairman of Nikko Europe, said that Miss Fukuda's broad experience in the London market, and her ability to bridge two cultures, was behind her appointment.

Miss Fukuda joined Capel in 1974, to which she moved as part of a team from Vickers da Costa. She took over the Japanese department in 1976 and became a partner in 1980, before Capel was acquired by the Hongkong and Shanghai Banking Corporation. Her departure from the firm was amicable.

US decline prompts fall in West German prices

BY DOMINIQUE JACKSON

WEST GERMAN bond prices fell sharply yesterday as traders took fright following last Friday's decline in US Treasury bond prices. The yield on 10-year government bonds rose to 6.64 per cent, its highest level so far this year. The 10-year yield was below 6.5 per cent early last week but dealers said it could now test 6.75 per cent before finding any substantial support.

Nervous, thin trading characterised most other sectors of the Eurobond market, with both last week's US bond market falls and this week's US Treasury quarterly refunding auctions inhibiting primary and secondary market activity.

Eurodollar bond prices were marked narrowly easier but drifted in thin volume, supported at marginally lower levels by an absence of selling pressure. The tone was decidedly bearish in the wake of last Friday's sell-off on the Treasury market. This was triggered by a US jobs report showing unemployment at a 14-year low of 5.4 per cent.

Dealers said the attractions of anticipated higher yields would be offset by deeper fears about global inflation and an imminent tightening of US Federal Reserve monetary policy.

Dealers in Germany marked prices down sharply when their market reopened yesterday morning. Euromark bond prices dropped by as much as a full point while government bonds saw falls of between 15 and 50 pfennigs. Both sectors have been extremely nervous lately. Foreign investors, robbed of speculative currency profits by stabler foreign exchange markets, have shunned the market. The US data was the final spur to an early round of panic selling.

The mood is likely to remain bearish all week in anticipation of any move by the Fed to raise interest rates. Mr Helmut Schlesinger, Bundesbank vice-president, said recently that Germany would find it difficult not to follow any US rate rise.

The firmer tone of sterling, however, yesterday provided long-awaited fresh impetus to both the UK gilt-edged and Eurosterling markets. Buoyed by analysts' reports that the pound is still undervalued against the D-Mark, sterling rose from an opening level of DM3.1311 to close at DM3.1625, prompting the Bank of England to intervene in the foreign exchange markets.

INTERNATIONAL BONDS

Gilts have been locked within a narrow trading range recently while a lack of attractive swap opportunities has inhibited new issue activity in Eurosterling.

Dealers were divided as to whether the renewed strength of sterling would be enough to shake the sterling bond markets back into action in the longer term. However, foreign investor interest has remained steady, indicating that even with bank base rates at 8 per cent, perceptions of the economy are still good enough to attract inflows of capital from abroad.

Speculative interest in the currency supported the shorter end of the gilt market where yields have now dropped below 9 per cent. The longer end of the market, largely controlled by UK institutions, has shown less volatility, resulting in a distinct steepening of the yield curve.

English China Clays issued the day's sole new Eurobond issue. J Henry Schroder Wagg led the £40m 15-year convertible deal which will be used to finance the company's acquisition of the calcium carbonate business of US Cyprus Mines for which it is paying $74.25m. The coupon is indicated at 6¾ to 7 per cent and the conversion premium is expected to be between 8 and 12 per cent, both thought to be pitched low in order to encourage early conversion. The bond does not have a put option.

In Switzerland, the bearish mood in West Germany subdued trade with prices marked narrowly lower. Worries about rising global interest rates have unnerved the market lately. There were no new issues although last week's five-year deal for Rural and Industries Bank of Western Australia was increased to SFr80m from the initially indicated SFr50m. The bond was trading on its 1¾ fees, lead manager Banque Paribas (Suisse) said.

Maxwell plans two issues

BY OUR EUROMARKETS CORRESPONDENT

MAXWELL COMMUNICATION, the printing and publishing group headed by Mr Robert Maxwell, has announced plans for two bond issues in Europe over the next few weeks, provided market conditions permit.

The company said the issues were aimed more at "promoting Maxwell Communication Corporation's identity in Europe than for cash raising purposes."

Mr Maxwell was in Switzerland talking to analysts about the company. He was quoted as saying the company would launch a seven-year, SFr150m bond on May 16 and a DM150m six-year bond around the same time. Coupons are not set yet.

Peugeot offshoot arranges finance for expansion

BY OUR EUROMARKETS CORRESPONDENT

PSA WHOLESALE, the UK car finance subsidiary of Peugeot, the French motor group, is establishing a £75m financing for further expansion.

Barclays de Zoete Wedd is arranging the financing, which has an initial five-year maturity, extendable to seven, and incorporates a £50m committed standby credit. The committed portion carries a 7 basis point underwriting fee, a margin of 10 basis points over London interbank offered rates, and a utilisation fee of 2½ basis points if more than half drawn.

David Lascelles adds: Schroders, the UK merchant bank, has been appointed adviser to NV DSM, the state-owned Dutch chemicals group which is soon to be privatised.

Correction

County NatWest is arranging a $150m note issuance facility for North Broken Hill Holdings of Melbourne, not Broken Hill Holdings as stated in yesterday's paper.

Call for link between trade matching systems

BY OUR EUROMARKETS CORRESPONDENT

MARKET-MAKING members of the Association of International Bond Dealers – grouped together as the Council of Reporting Dealers – have called for a link between two trade matching systems developed separately for the Eurobond market.

The AIBD's own Trax trade-matching system will be introduced in October and become compulsory for its market-making members in January.

The two main Eurobond clearing houses, Euro-clear and Cedel, launched their Ace system trade confirmation system last year.

Trax is being depicted as a "real-time" system for traders, which will also increase the market's transparency and allow the development of hedging products and support the AIBD's status as a designated exchange under the new British regulatory system.

Ace has been developed more as a "back-office" product, but the clearing systems say they are worried that Trax will jeopardise the investment made so far by Eurobond firms in the Ace system.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange against four key currencies on Monday May 9 1988. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan (Afghani)	99.25	52.8065	31.3833	42.3240
Albania (Lek)	10.1649	5.4083	3.2141	4.3347
Algeria (Dinar)	10.1980	5.4259	5.2246	4.3488
Andorra (Fr Fr)	10.7225	3.7049	3.3905	4.5724
(Sp Peseta)	209.60	111.5190	66.2766	89.3816
Angola (Kwanza)	56.68	30.1569	17.9225	24.1705
Antigua (E Carr $)	5.07	2.6975	1.6031	2.1620
Argentina (Austral)	12.1163	6.4465	3.8312	5.1668
Aruba (Florin)	3.3629	1.7892	1.0633	1.4340
Australia (Aus $)	2.4425	1.2995	0.7723	1.0415
Austria (Schilling)	22.205	11.8143	7.0213	9.4690
Azores (Port Escudo)	257.75	137.1375	81.5019	109.9147
Bahamas (Bahama $)	1.8795	1	0.5943	0.8014
Bahrain (Dinar)	0.7050	0.3750	0.2229	0.3006
Balearic Is (Sp Peseta)	209.60	111.5190	66.2766	89.3816
Bangladesh (Taka)	57.50	30.5932	18.1818	24.5202
Barbados (Barb $)	3.7786	2.0104	1.1948	1.6113
Greenland (Danish Krone)	12.1750	6.4777	5.8498	5.1918
Grenada (E Carr $)	5.07	2.6975	1.6031	2.1620
Guadaloupe (Local Fr)	10.7225	5.7049	3.3905	4.5724
Guam (US $)	1.8795	1	0.5943	0.8014
Guatemala (Quetzal)	1.8795	1	0.5943	0.8014
	4.7842a	2.5454	1.5127	2.0401
Guinea (Fr)	563.61	299.8723	178.2166	240.3454
Guinea-Bissau (Peso)	1221.16	649.7259	386.1375	520.7505
Guyana (Guyanese $)	16.8750	8.9784	5.3359	7.1961
Haiti (Gourde)	9.3935	4.9978	2.9702	4.0057
Honduras (Lempira)	3.7570	1.9989	1.1879	1.6021
Hong Kong (HK $)	14.6878	7.8147	4.6443	6.2634
Hungary (Forint)	89.1879	47.4529	28.2017	38.0332
Iceland (Icelandic Krona)	72.87	38.7709	23.0418	31.0746
India (Indian Rupee)	24.60	13.0885	7.7786	10.4904
Indonesia (Rupiah)	3121.79	1660.9683	987.1272	1331.2537
Peru	61.994	32.9821	19.6015	26.4349
	78.89c	41.9739	24.9454	33.6417
	84.531	44.9747	26.7288	36.0469
	140.88a	74.9561	44.5470	60.0767
Philippines (Peso)	37.70	20.0585	11.9209	16.0767
Pitcairn Is (£ Sterling)	1.00	0.5320	0.3162	0.4264
(NZ $)	2.7375	1.4565	0.8656	1.1673
Poland (Zloty)	766.36	407.7467	242.3272	326.8059
Portugal (Escudo)	257.75	137.1375	81.5019	109.9147
Puerto Rico (US $)	1.8795	1	0.5943	0.8014
Qatar (Riyal)	6.8050	3.6206	2.1517	2.9019
Reunion Is. de la (F Fr)	10.7225	5.7049	3.3905	4.5724
Romania (Leu)	14.781	7.8637	4.6735	6.3027
Rwanda (Fr)	138.974	73.9420	45.9443	59.2639
St Christopher (E Carr $)	3.07	2.6975	1.6031	2.1620

Abbreviations: (a) Free rate; (b) Business rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (g) Exports; (h) Non commercial rate; (i) Business rate.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on May 9

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5¼ 96	100	†102½	103¼	0	−0½	5.18
Asfinag 5 02	150	†100¼	101	0	0	4.91
Bk. Frgn.Econ. Usr 5 98	100	†100	100½	0	0	4.96
Bayer W/W 2½ 02	250	†97½	98½	+0¼	−0½	2.67
Bayer. Vrnsbk.Os. 4½ 98	100	†101	101½	−0¼	−0¾	4.59
Elec.De.France 5 07	100	*†100¾	100¼	0	−0¾	4.94
E.I.B. 4½ 97	200	†101½	102	+0¼	−0¼	4.51
E.I.B 4½ 97	200	†100	100¼	0	−0½	4.61
Enso Gutzeit 5 99	100	*†101¼	101¼	0	−0¼	4.85
Ireland 3 02	150	†98	98¼	0	−0⅞	5.16
Nippon Suis.Kshu.4⅝ 93	80	†102	102½	−0¼	−0¼	4.13
Occidentl.Petrol 5¼ 92	100	†103	104	−1⅛	−0⅞	4.71
Prov.of Manitoba 4⅝ 02	200	†100¼	101½	−0¼	−0¼	4.60
Prudential Fin. 4⅝ 98	200	†101¼	101½	−0¼	−0¼	4.57
Qantas Airways 4½ 97	110	†98½	99	0	+0¼	4.92
SHV Holdings 4¼ 94	100	*†102¼	102⅛	0	+0⅛	4.33
Trans-Can. Pipe 4⅞ 94	100	†101½	101¾	+0¼	+0¼	4.54
Usl+g. 5½ 96	120	†103¼	104	−0¼	−0¼	4.92
Victoria Pub.Ath. 5⅝ 03	110	†101¼	101⅛	0	−0⅛	5.22
World Bank 3 02	200	†99½	100	−0¼	−0½	5.02

Average price change... On day −0⅛ on week −0⅜

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Mitsui Trust 2¼ 01	10/86	1903	250⅞	152¼	−0¼	0.35
Next PLC 5¾ 03 £	11/87	4.3	103⅞	104¼	0	77.18
Nishi Nipp. Bk. 2⅜ 03 US	4/88	804	110½	112¼	+4⅜	12.23
Omron Tateisi 2⅜ 02	4/87	1310	243¼	244½	−0⅜	−2.50
Ranks Hovis 4¾ 03 £	1/88	3.5	113¾	114⅛	+0¼	17.61
Redland 7¼ 02 £	1/87	5.4	95¼	96⅛	0	26.11
Texas Inst. 2¾ 02 US	†9/87	82.87	79	80	0	40.93
W.R. Grace 6¼ 02 US	9/87	42.12	82⅞	83⅞	−0⅛	36.40

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); LTCB International; Robert Fleming & Co; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; Swiss Bank Corporation International; S.G. Warburg and Co.; Wood Gundy.

UK COMPANY NEWS

Stead and Simpson rejects Clayform's £89.5m bid

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Clayform, the property development and investment group, yesterday made — and had smartly rejected — a £89.45m cash bid for Stead and Simpson, the Leicester footwear retailing and motor trade group.

The attraction for Clayform is the chain of 280 shops, the majority of which are in High Street locations, owned by Stead and Simpson. These shops are often in positions which offer substantial scope for redevelopment.

Holders of Stead and Simpson voting ordinary shares are being offered £12 a share, valuing that part of the company's equity at £19.2m. Holders of the non-voting 'A' shares are being offered 125p a share, making a total value of £70.25m.

These prices, Clayform said, represented a premium of 21.8 per cent and 25 per cent respectively over the mid-market prices of the shares last Friday.

It is also proposed to offer a loan note alternative, the details of which have not so far been specified.

Stead and Simpson directors met briefly yesterday and issued a short statement rejecting the offer and recommending shareholders to take no action. A more detailed defence is being prepared.

The opening for a Clayform bid came last Friday when the company bought a 29.9 per cent stake at £12 a share of the voting ordinaries from Tozer Kemsley and Millbourn. This stake has changed hands several times. It was owned by Hanson, sold to Ward White and then bought by Tozer.

In each case the holding could have been a platform for a bid, but only Clayform has put a formal offer on the table. Mr Robert Ware, the finance director, said that Stead and Simpson had not welcomed the prospect of a bid but that the discussions had never been acrimonious.

The main voting holding in Stead and Simpson is in the Gee family, accounting for a further 20 per cent.

Clayform has also acquired 7.09 per cent of the 'A' shares at prices up to 125p.

If Clayform can go ahead with the acquisition it will be financed by £30m from its own cash resources and a £70m five-year loan from Samuel Montagu.

On the market yesterday, Stead and Simpson ordinaries rose above the bid price to £12.55 for a rise of £1.80, reflecting a feeling that Clayform may be pushed to revise its bid upwards, while the 'A' shares rose 9p to 129p, or 4p above the bid price. Clayform shares were 3p higher at 293p.

GrandMet buys US Eye + Tech

BY LISA WOOD

Grand Metropolitan, the UK-based group, is strengthening its optical retailing activities in the US with a $32m (£17m) acquisition of 38 Eye+Tech superstores in the US from a group of interests including Gillette, the US consumer products group.

The acquisition has been made through Pearle Health Services, a subsidiary of GrandMet based in Dallas. Last month Pearle, the largest optical retailer in the US, paid $40m for Vision Express, a chain of 27 opticians.

GrandMet said Eye+Tech had superstores - providing a full optical service within one hour - in the south and south west of the US while Vision Express's outlets were in the mid-west. The combined businesses will give Pearle 73 superstores in the US as well as 1,150 smaller conventional outlets.

Eye+Tech, with sales of around $32m a year, is not currently making a profit but GrandMet said it would do so after interest costs within the first year.

Pearle, acquired in 1985, is one of the surviving GrandMet businesses in the US with the British group recently tidying up its US portfolio and selling businesses including Quality Care, a home nursing services company. Pearle reported disappointing results after purchase but has shown improvement under a new management team.

Beazer guarantee to Koppers

FROM JAMES BUCHAN IN NEW YORK

Beazer, the Bath housebuilding and aggregates group, yesterday spelt out how it would guarantee the jobs of all employees at Koppers in a bid to overcome the Pittsburgh group's fierce resistance to its $1.7bn offer.

In a letter to Koppers published yesterday, Mr Brian Beazer, chairman of Beazer, said he would guarantee the jobs of all Kopper's 11,000 employees except senior management for a year, maintain salaries and benefits, and accelerate deferred compensation programmes such as stock options. He also offered to hold talks individually with senior management about careers and compensation.

The letter is part of efforts by Beazer to undermine Koppers' claims that the takeover could mean a loss of jobs at the aggregates and chemicals group, above all in Pittsburgh.

Beazer is leading a group, which also includes the investment bank Shearson Lehman, which has offered $60 a share for Koppers. The offer has been restrained temporarily by a Los Angeles court, which begins hearings on Friday on allegations that a merger would violate anti-trust regulations.

Stonefield gives Utd Scientific a new image

By Patrick Daniel

United Scientific Holdings, the defence equipment group, has acquired the image processing interests of Stonefield Systems for an undisclosed amount.

The company said it will invest more resources to enable continued development of image processing techniques aimed primarily at military requirements.

Mr David Fraser, chief executive, said the acquisition marks the company's recognition that image processing will be one of the key technologies in new-generation electro-optical systems.

Talks continue as BAA exercises Lynton option

BY PHILIP COGGAN

BAA, the airports authority privatised last year, has exercised its option to acquire 19.5 per cent of Lynton Property & Reversionary, the property development and investment group, for 380p per share.

The two companies are still talking about the possibility of a recommended offer from BAA but no deal has been agreed as yet.

In February, Randsworth Trust, the property development company, granted an option over its shares in Lynton to Banque Paribas Capital Markets. BAA purchased the option from BPCM for 20p per share.

BAA has said for some time that it wants to expand into complementary fields to airport operation and the acquisition of Lynton would bring property development expertise to the group. Based on last night's share price of 429p, Lynton has a market capitalisation of £207m.

FAIRBRIAR has paid £559,151 for Knightsquare, a property development company which owns property at the Saxon Centre Bargates, Christchurch, Hampshire. The consideration will be satisfied by 100,000 new ordinary at 400p, and £159,151 cash.

Stanhope ready for capital injection

By Paul Cheeseright, Property Correspondent

Stanhope Properties, yesterday foreshadowed an injection of newcapital when it disclosed that a major investor was negotiating to take "a significant stake" in the company.

Stanhope, controlled by Mr Stuart Lipton, came to the USM just before October's stock market crash, when it offered 10 per cent of its shares for sale by tender. The price was eventually struck at 250p, the same level as that at which the unknown major investor is negotiating a stake.

Yesterday, the shares rose strongly, touching 283p at one stage before settling back to close at 278p for a net gain of 19p.

Stanhope's main object is to create value through the growth of its net assets. To this end it is engaged on major developments in the London area, often in a joint venture company with Rosehaugh.

B.Matthews pay-out opposed by shareholders

By Vanessa Houlder

Bernard Matthews, turkey and meat products group, yesterday said that it was reviewing its dividend policy after being challenged by shareholders at the annual meeting. Shareholders complained about the 1.75p dividend, unchanged from 1986, which has an unusually high cover of 4.

Mr Bernard Matthews, chairman, said that the company had again been buying its own shares to stabilise the price in the market. The company has bought a further 350,000 shares at 83.5p apiece, bringing its total to 1.1 per cent.

Mr Matthews also said that the company was pulling out of production and marketing of its petfood interests. Matthews said earlier this year that it was considering withdrawing 'm petfood following discouraging research results.

Pre-tax profits for the 53 weeks to January 3 fell from £15m to £14m, as a result of high grain prices and a drop in whole turkey and chicken sales.

SHAFTESBURY has purchased from separate vendors three freehold development sites in the London Bridge area for £2.25m cash. When completed in autumn 1989 the schemes should have a total value of £8.5m, based on current prices

KUWAIT INVESTMENT Office has reduced its holding in G.T. Japan Investment Trust to 4.8 per cent, the latest cut in a steady decline from a peak of 18 per cent last October.

Peter Marsh on the new approach of this high-tech company

Eurotherm steers its tighter ship

IN THE PAST few years Britain has featured many examples of high-technology companies which have excited the financial community for a time with good prospects and high profits, only eventually to fall from grace.

Eurotherm International, an industrial automation specialist with sales last year of £112m, has on several occasions during its 23-years threatened to join the ranks of companies in this category.

Eurotherm set up by four engineers who had worked together in an existing concern called West Instruments, has had a steady rise, increasing turnover and profits rapidly and diversifying into a number of areas in the automation business.

The company now only enters markets when *it is sure it* understands the business

There have been a few problems on the way, however, creating an impression in the City that the company is accident-prone.

The chief question mark has been whether the company has been too rash in its diversification attempts, which have included forays into printers, computer-aided design, plotting equipment, computer distribution and even bar management systems for public houses.

In recent months, Eurotherm has woken with a start to the need to change its image. Earlier this year it announced publicly that some of the new ventures were ill-conceived and would be closed.

From now on, the company intends to concentrate on the four core areas which account for most of its sales and profits - temperature controllers, chart recorders, drives for electric motors and process control equipment.

The initial results from the exercise appear to have impressed market analysts. The City was first of all pleased with a 37 per cent increase in pretax profits for 1987 to £12.8m, a better than expected rise.

Secondly there seems to have been genuine acceptance in the City that the company has become more disciplined in its approach to new ventures. The share price has risen appreciably from December, when it was hovering around 250p to about 352p now.

Even so, the prospective p/e for the company is about 10, compared with between 12 and 15 for similar concerns in related high-technology fields, reflecting the City's continued mood of slight scepticm about future prospects for the company.

One self-confessed fan of Eurotherm is Mr Nigel Burton, an analyst at Robert Fleming Securities, a London stockbroker. He feels the that City has not given Eurotherm sufficient credit "for what they've done well and has instead concentrated on the mistakes."

Behind the company's growth has been an entrepreneurial attitude which, despite the more sober approach of the past few months, still persists.

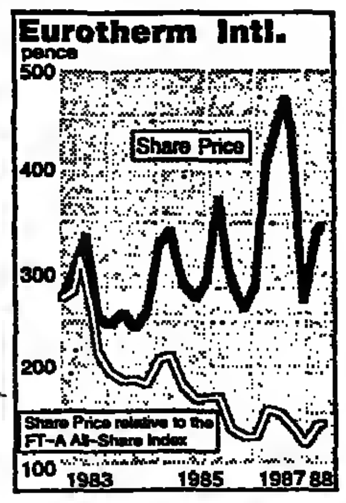
Mr Nick Lutte, a director, says that enthusiasm and a willingness to work around the clock are essential to building rapport with customers and winning orders. "You have to be prepared to give customers your home phone number and to get out of bed at midnight to tackle something that's gone wrong."

The successive moves over the past two decades into the four core business areas have ensured that the company sells to a range of customers in different industries, spanning areas such as semiconductor production, chemicals, steel and glassmaking. This protects Eurotherm from an overdue dependence on a specific industrial sector.

Eurotherm has also achieved a healthy geographic spread, with some two-thirds of its sales outside the UK. Most of the non-UK business is handled not by distributors but by overseas subsidiaries over which the parent has direct control.

The company has generally picked product "niches" in which competition from the big, established players in industrial equipment has been small. This marketing feature is, however, starting to become less apparent as Eurotherm edges out into broader indostrial areas where pressure from larger rivals is fiercer.

Dr Jack Leonard: chairman and one of the founders



Process control systems, a relatively new area, is a case in point. Here, Eurotherm is facing competition from big, mainly US-owned companies such as Honeywell, Taylor Instruments and Foxboro.

The UK company – which, incongruously for a factory-equipment supplier, has its headquarters in a converted mansion in a leafy part of Sussex – has, however, a positive approach to process control, which represents a global market of more than £10bn a year.

Mr Lutte, who is managing director of TCS, Eurotherm's process control subsidiary, says that many of the bigger rivals have become "flabby" and less responsive to changes in the market place.

Even though this may well be the case, Eurotherm, with annual sales of process-control equipment at only about £18m, has a lot of ground to make up. It is setting its sights on rapid expansion in this area, possibly with the help of overseas acquisitions of small to medium-sized companies.

Mr Lutte's attitude to business illustrates Eurotherm's apparent ability to preserve much of the gung-ho approach of the company's founders. One of them, Dr Jack Leonard, is still chairman and joint managing director.

The company splits its operations into small groups, rarely more than 300 strong and keeps lines of decision-making short. It aims to recruit to managerial positions scientists and engineers with a proven interest in marketing, who are quickly promoted if they show promise.

Mr John Shackleton, the other joint managing director, said: "We like a flat (management) structure which means our customers talk to senior people rather than sales staff."

He talks of the moves away from the core areas as aberrations born of over-enthusiasm. "We were a little too over-confident."

In future, says Mr Shackleton, the company will enter new markets only when it is sure it understands the hosiness. An example was the acquisition last year of Kineron, a small UK company which sells equipment to monitor the thickness of continually processed sheet material such as as paper. These systems ften be sold in conjunction with the equipment Eurotherm already makes and are controlled by similar electronics.

The company may have trimmed some of its forays into the unknown, but remains super confident.

Leyton House chairman takes 20% in March

BY JOHN GRIFFITHS

A 20 per cent stake is being taken in March – the racing cars and engineering group floated on the Unlisted Securities Market almost a year ago – by the chairman of Japanese industrial property group, Leyton House.

The move, subject to shareholder approval, will provide a £4m cash injection for March.

March, which despite a diversification programme into consultancy eogineering and which remains heavily reliant on racing car sales in the US, saw pre-tax profit for its financial year ended last October 31 fall from £1.65m to £1.49m,mainly because of the weak dollar.

The 2.97m 5p ordinary shares are to be acquired by Mr Akira Akagi at 137p – a 27 per cent premium on last Friday's 108p closing price.

The subscription still leave chairman and founder Mr Robin Herd in clear control of March, although his personal holding will be diluted from 60.3 per cent to 48.2 pert cent. March and Mr Akagi, who is to become a non-executive director, have had a close commercial relationship for some years.

The extra funding is to be invested in racing activities and the engineering consultancy.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Cramphorn§ ....int	1.25	–	1.25*	–	3.5*
Hunting Assoc. ....fin	5★	July 14	4*	9	7.2*
Kunick § ....int	0.4	July 1	0.35	-	1

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¢Third market. ★Carries scrip option.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Bibby (M), Titon.

Finals- Centreway Industries, Centreway Trust, England (J.), Holmes Protection, King & Shaxson, Runciman (W.), Smith St. Aubyn, Verson Int., Vivat, Warner Howard

FUTURE DATES

Interims-	
Archer (A.J.)	May 26
Fairline Boats	May 19
Fulcrum Investment Trust	May 20
International Thomson	May 11
Moran Hlds.	May 17
Multitrust	May 13
RHP	May 26
TMD Advertising	May 11
Western Selection	May 12
Finals-	
Chamberlin & Hill	May 27
Channel Tunnel Invs.	May 17
GT Berry Japan Fund	May 16
High Gosforth Park	May 26

Hunting Assoc. up 53% and diversifies

BY VANESSA HOULDER

Hunting Associated Industries, defence and aviation snpport group, yesterday announced a 53 per cent rise in annual pre-tax profits and a move into the electronics industry. Lynwood Scientific Developments, a compoter display terminal manufacturer, has been acquired as an initial step towards making electronics a third major division.

Hunting achieved 1987 pre-tax profits of £18.13m (£11.81m), on turnover up by 2 per ceot to £338.98m. The results exceeded City expectations and the share price rose by 30p to 443p.

Mr Clive Hunting, chairman, said that prospects for continuing growth in 1988 were good. There was a strong defence production order book with good export potential, while other activities should consolidate or improve on their 1987 performance, he said.

Lynwood, a private company, has been acquired for an initial cash payment of £5.2m, with further profit-related payments in loan stock, bringing the total to a maximum of £19.2m. In the year to 30 June 1987, Lynwood made a pre-tax profit of £1.2m on turnover of £15.3m.

In addition to computer terminals, Lynwood is involved in the design of equipment and computer systems tailored for individual customers which include the Ministry of Defence. Hunting said the acquisition made available emerging technologies for both hardware and software.

Lynwood will form a subsidiary of Hunting Electronics, the holding company for the new electronics business. Hunting plans to use acquisitions to build electronics to a comparable size with its aviation support business.

Defence and engineering, which account for two thirds of sales, increased profits by 62 per cent to £11.58m. The BL755 cluster weapon has continued to sell and JP233, the airfield attack weapon, had a year of full production. LAW 80, the anti-armour weapon, started delivery before the end of the year. Profits from aviation support increased by 9 per cent to £5.21m.

The resource surveys division moved from a loss of £1.79m in 1986 to a profit of £561,000.

The composites division suffered from a slowdown in boat orders and incurred a loss of £875,000 against profits of £273,000 in 1986. The results of the two Gulf companies, which made a small profit, have not been consolidated.

Basic earnings per share rose from 39.2p to 56.2p, and fully diluted to 45.2p (31.8p). A final dividend of 5p per share is offered, making 9p for the year. For the second year running, the board is recommending a one for four scrip issue.

● comment

The JP233 runway bomb has once again proved its worth to Hunting. After its first year of full production, Hunting has felt confident enough to take a larger share of profit on the contract. That - and the rapid turnaround at its resource survey side - pushed profits up above expectations and the share price rose by 30p to 443p as a result. The electronics acquisition has also been greeted with approval, on the grounds that a new division will help reduce the group's dependence on defence. That is important because, although the LAW 80 anti-tank weapon, which has good export potential, has a lifespan of at least a decade, earnings from JP233 may last just another couple of years. Even if Hunting succeeds in winning the contract for a new anti-armour weapon, which is up for grabs early next year, profits from defence may hit a plateau in the early 1990s. But that is neither imminent nor - given Hunting's diversification plans - necessarily damaging. In the meantime, Hunting looks set to make about £21.5m this year. That means that the shares are fairly valued on a propective p/e of 8.

UK COMPANY NEWS

Rowntree reiterates 'no' stance as Nestlé ups stake

BY DAVID WALLER

Nestlé, the Swiss food giant which is making a a £2.1bn bid for Rowntree, has taken its stake in the York-based chocolate company to between 9 and 10 per cent, up from last Friday's level of 7.3 per cent.

Brokers acting on Nestlé's behalf were in the market again yesterday buying Rowntree shares at 900½p, the value of the offer if dividends are taken into account. Together with Jacobs Suchard's 29.86 per cent stake, the Swiss companies between them now own some 40 per cent of Rowntree's shares.

Meanwhile, Mr Kenneth Dixon, Rowntree chairman, has sent a letter to shareholders urging them to reject Nestlé's offer on three counts. He says that:

● The offer price is inadequate for a company with a portfolio of leading brands such as Kit Kat, Quality Street, Polo and After Eight.

● Rowntree is in "an exceptionally strong position to maximise profit growth ahead of the creation of a single European market in 1992."

● The growth and profit potential of Rowntree's confectionery brands can be developed independently of Nestlé, and have been developed successfully to date.

The letter went out as Mr Helmut Maucher, Nestlé's managing director, was yesterday attempting to reverse the tide of sentiment in favour of a reference of the bid to the Monopolies and Mergers Commission.

He met Mr John Macgregor, the minister for agriculture, fisheries and food, and last night addressed a group of mainly Labour MPs.

Obscure Jute quote on dangerous ground

BY PHILIP COGGAN

Titaghur Jute Factory, textile trading company, has long been one of the most obscure stock market companies.

Yesterday the group, capitalised at a mere £2.1m, made a brief foray into the limelight when it had its listing on the Stock Exchange suspended because of its failure to pay the annual listing charges. The Stock Exchange said it was the first time in recent memory that it had to take such action against a company.

Information about Titaghur's activities was difficult to find yesterday. There was no answer at the number listed for the group's Dundee headquarters and, as far as the Stock Exchange knows, the company has no stockbroker.

Titaghur's registrars – a Dundee firm called Cram, Worsley & Company – were distinctly uninformative. They did confirm that they were refusing to register share transfers because they too had not been paid by Titaghur. But a Mr Joss said "I've nothing else to add" and promptly put the phone down.

The jute industry faced severe problems after a bumper crop in 1985-86. Developed countries have been finding synthetic alternatives for jute, which is used to make sacks and the backing for carpets. Bnt there is growing demand for jute in India and the Middle East and prices rose towards the end of last year.

When Titaghur, which has much of its operations in India, last reported figures – for the year to June 30 1986 – pre-tax losses were a massive £12.54m on turnover of £45.86m. The loss per £1 share was 88.1p.

Titaghur has not made a profit since 1981 but there was speculative activity in the shares in 1986, when "shell" hopes boosted the price nearly threefold.

However, the company will soon cease to have any shell potential if it does not soon pay its listing fee – which is only £2,080. The Stock Exchange has the power to cancel its listing.

Catalyst profits near £1m

Catalyst Communications Group, a USM-quoted marketing and media services group, reported pre-tax profits up from £563,322 to £955,480 in 1987.

Turnover rose from £10.04m to £14m.

Catalyst announced yesterday that it has agreed to acquire the business, goodwill and certain assets of Age Communications and Outwood Communications for an initial consideration of £850,000.

WCRS in £0.8m deal for Bagenal Harvey

By Clay Harris

WCRS, the advertising group, is to pay up to £800,000 for Bagenal Harvey Organisation, the personality management agency whose broadcasting clients include Michael Aspel, David Coleman and Dickie Davies.

Bagenal Harvey will become part of WCRS's subsidiary, Alan Pascoe Associates, the sports sponsorship agency at which the former Olympic hurdler plays a key management role.

The initial consideration of £250,000 will be followed by deferred payments totalling £90,000 and profit-linked payments up to £460,000. Mr Geoff Irvine, Bagenal Harvey managing director, has signed a new 4½-year service contract.

Hodgson buys four more undertakers

Hodgson Holdings, the acquisitive funeral director which has bought 29 funeral businesses since October, has purchased four more for a total of £1.3m. Further acquisitions will be announced shortly.

Coloroll holding in Crowther up to 25%

BY ALICE RAWSTHORN

Coloroll, acquisitive home furnishings group, now controls 25 per cent of John Crowther, textile company, despite the emergence last week of a higher bid from engineers Thomas Robinson.

At last Friday's first closing date for its £214m all-share bid, Coloroll had received acceptances for 10.3m shares, or 8.7 per cent of Crowther's equity, and irrevocable undertakings representing 6.4m shares.

Given that it had already acquired 10.5m Crowther shares and has gained acceptances for an additional 2.5m shares since the first closing date, Coloroll now controls 29.7m shares or a quarter of the textile group's equity.

Coloroll, which refused to increase its offer of a one-for-one share swap when Robinson tabled its £226m cash-and-share counter bid on Wednesday, has extended its offer for two weeks until May 20.

On Friday, the Crowther board, which had already pledged its 2.5m shares to Coloroll, reiterated its support for the home furnishings group.

The Crowther directors decided to continue to back Coloroll because of the "industrial logic" of its offer compared with that of Robinson, which has no experience of the textile industry. Coloroll perceives the acquisition of Crowther's carpet companies as a logical extension of its home furnishings activities.

The Robinson share price has plummeted since the bid was announced, falling from 455p to yesterday's level of 408p. As a result Robert Fleming, its merchant bank, has so far failed to find sub-underwriters for more than half of the share offer.

Robinson's shares fell below the 410p sub-underwriting price on Thursday, the day after the announcement. Fleming now hopes that the share price will recover so that it can secure sub-underwriters for the remaining £125m of shares.

UK COMPANY NEWS

Kunick to target elderly care as profits rise 34%

BY CLARE PEARSON

Kunick, USM-quoted health care and entertainment group, achieved a 34 per cent increase in pre-tax profits to £1.88m on turnover up from £13.33m to £18.47m in the half year to end-March.

Kunick emerged in its present form after chief executive Mr Russell Smith reversed three of his private businesses into it: Music Hire, UK amusement machines concern, in 1986, and Amiro (French importer and distributor of amusement machines) and Goldsborough, old people's homes and care business, last summer. The group also operates the London and York Dungeon visitor attractions.

Operating profits totalled £1.81m, with UK amusement machines contributing about 50 per cent, French interests about 22 per cent, care for the elderly about 16 per cent, and dungeons about 11 per cent.

However, Kunick is investing heavily in Goldsborough and expects it to contribute about 20 per cent of profits by the year-end and 50 per cent within the next two years.

The company said it discovered during the first half that "a series of frauds" had been perpetrated at the London Dungeon, and most of the staff had since departed. The discovery helped overall turnover in the visitor attractions side rise by some 25 per cent over the same period in 1987.

The interim dividend is set at 0.4p (0.35p), from earnings 28 per cent higher at 1.28p per share.

● comment

The trouble with Kunick is that it has no track record as a quoted company in the areas it is currently focusing on and there are certainly more marketable stocks which give exposure to the leisure industry. The London dungeon fiasco is an additional blot, although new exhibits should be introduced in the next month and the dungeons achieved a good increase in turnover after the alleged fraud was uncovered. Though the company is not saying so, it is foreseeable they will be shed in due course. Much further out, Kunick has interesting possibilities assuming Mr Smith's plans to focus on its care-for-the very-old side come to fruition; after all, it is estimated there will be 67 per cent more people over 85 by the year 2001 than now, and care provision is currently highly fragmented. However, this is a cash-consuming and slow business to build up. In the short term, the shares are not expensive. On a 34 per cent tax charge, the company could achieve earnings of 3.2p for the full year, giving a prospective p/e ratio just over 12.

Merchants' revamp particulars issued

BY CLAY HARRIS

Goodman International, the meat processor and exporter which is Ireland's largest private company, yesterday finally released details of the planned transformation of Merchants' Warehousing, its publicly quoted storage subsidiary.

Merchants is to pay I£30.1m (£25.7m) for Goodman's non-meat interests: Drummonds & Dolans, grain processor, Minch Norton, Ireland's largest maltster, and the assets of the former Bailieboro dairy co-operative, now trading as Talmadge.

The transaction will be financed by the issue of 27.1m shares to Goodman at £1.25, compared with the £2 at which the shares were suspended in mid-January. Merchants will also repay £3m in loans to Goodman.

Valued at only £12m on suspension, Merchants will be worth more than four times as much after the deal and a parallel 1.49-for-one open offer to shareholders to raise £11.2m.

The enlarged Merchants will be Ireland's 12th largest public company in terms of turnover. It will be renamed Food Industries, with three divisions: dairy, grain and food storage.

The acquired companies will contribute after-tax profits of £3.17m in 1988, Merchants forecast. This would raise the enlarged group's earnings per share to 12.6p and allow dividend payments of 4p, it said.

Merchants also plans to sell its 21.5 per cent stake in the Tara Meats group for £1m to avoid any competition with its parent. This will raise to £9.2m the net cash benefit of the series of transactions announced yesterday.

Shares from the open offer have been conditionally placed by Dublin stockbroker National City Dillon & Waldron with Irish and British investors. Subject to clawback by minority shareholders, Goodman intends to raise its stake from 66 per cent to 70 per cent.

Trading in the shares is expected to resume on June 9.

Markheath briefly held over 10% of Caffyns

BY CLAY HARRIS

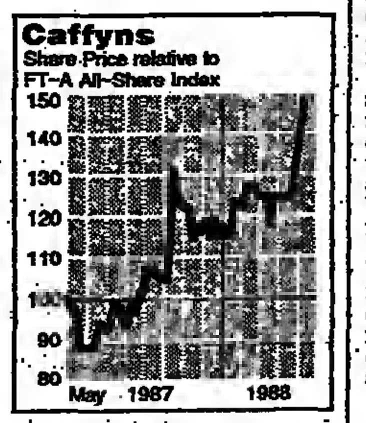
THE MYSTERY over recent dealings in Caffyns, Eastbourne motor dealer deepened yesterday. Markheath Securities, property group and UK vehicle for Australian investor Mr John Spalvins, disclosed that it had briefly held more than 10 per cent of Caffyns shares but no longer had a notifiable interest.

Markheath's temporary interest was revealed as Caffyns tried to track down the new owner of the block of shares sold late in April by the Water Authorities' Superannuation Fund which formerly held 8.3 per cent.

Caffyns believes that Markheath still owns its original holding of 55,000 shares – about 1.7 per cent – but that the water fund's entire stake has been passed on. Although refusing to comment yesterday, Markheath suggested to Caffyns that it was not the beneficial owner of the shares in question.

Stockbrokers for another Antipodean investor in Caffyns, the New Zealand motor dealer Mr Colin Giltrap, have indicated meanwhile that he was not behind the recent flurry in the company's shares.

Any would-be predator faces a formidable challenge since voting preference shares give the Caffyn family firm control of the company. Caffyns shares closed 1p higher at 558p.



Lopex makes good start

Lopex, international marketing communications group, has obtained a record volume of new business in all areas of activity in the first four months of the current year.

Speaking at yesterday's annual meeting, Mr John Castle, chairman, told shareholders that the group was "on track to achieve the pretty ambitious targets we have been given by the sector investment analysts".

"We will continue to develop by organic growth and by investing in and improving our existing operations, including the completion of our European network," he added.

IMI acquires US group

BY PATRICK DANIEL

IMI, industrial group, has expanded its food and beverage equipment business in the US by acquiring Doran Brothers, based in Connecticut, for an undisclosed sum.

The purchase of Doran, which has sales of $3m (£1.6m), was made by Cannon Equipment, one of IMI's US subsidiaries. Both companies supply mobile carts for retail display of food and beverage products.

IMI said that Cannon, which has hitherto operated in the West Coast, has now broadened its US coverage.

IMI's Cornelius subsidiary, which is the world's largest manufacturer of drinks dispenser machines, also has several manufacturing plants in the US.

CGS lifts CAP stake to 29.6%

Cap Gemini Sogeti, the French-based computer services company, has further increased its holding in CAP Group, the UK software house. It has acquired a further 400,000 shares, taking its holdings to 29.61 per cent.

CGS picked up 14.9 per cent of CAP in a dawn raid last month.

Cramphorn profits climb

The mild winter assisted in preventing nursery stock losses at Cramphorn, operator of garden centres and distributor of garden and pet products. As a result, the USM company reported an increase from £84,542 to £106,031 in pre-tax profits for the 26 weeks to January 2 1988.

Turnover was little changed at £6.93m compared with £6.87m. The interim dividend is 1.25p (1.25p adjusted), and stated earnings per 50p share improved from 1.88p to 2.35p.

The directors said planning consent for a major new garden centre at Bishop's Stortford had been granted on appeal, and every effort would be made to open it for trading next spring. Prior to the mild winter, sales advanced satisfactorily, despite the wet autumn.

The cessation of trading at loss-making outlets, and improved efficiency, assisted towards increasing trading profit by 47 per cent.

During the six-month period, interest charges rose from £20,270 to £47,970.

Caradon purchase

Caradon, the building products company which makes Twyford bathroom fittings and Mira showers, yesterday announced the acquisition of the Meynell shower valve business.

Caradon is paying £1.4m cash and some £1m in new shares. In 1987, the Meynell businesses made a combined pre-tax profit of £200,000.

Rea Bros sale

Rea Brothers Group is selling Rea Brothers (Insurance) to its joint managing directors, Mr G.Dix and Mr R.Hunt, for £725,000 cash. In 1987, the company had net profits of £56,412 with consolidated net assets at the end of the year of £273,420.

Eleco £1.8m sale

Eleco Holdings is selling Davis Lighting, a division of Davis Group, to its management for £1.84m cash. Eleco is keeping the freehold of the site at Romford, part of which will be let to the new company.

Staley in talks

Staley Continental, corn syrup and food distribution group facing a $1.42bn (£757m) takeover bid from Tate & Lyle, UK sugar refiner, said it was continuing discussions with third parties. It had started negotiations about a possible acquisition of the entire company or one or both of its principal business segments.

Legal Notices

CRAMP OF CORNWALL LIMITED

Registered number: 287258

Nature of business:
Book Binding.
Trade classification: Paper, Printing and Publishing
Date of appointment of joint administrative receivers
25 April 1988
Name of person appointing the joint administrative receivers
Lloyds Bank Plc.

CHRISTOPHER JOHN BARLOW and ROBERT WILLIAM BIRCHALL
Joint Administrative Receivers
(Office holder nos 1090 and 5823)
Cork Gully
Mutley House
23 Princess Street
Plymouth
PL1 2HE.

UK COMPANY NEWS

ECC uses Eurobonds to fund US purchase

BY CLAY HARRIS

English China Clays, the industrial minerals, quarrying and construction group, is to issue £40m in convertible Eurobonds to finance its latest US acquisition, the calcium carbonate business of Cyprus Minerals.

ECC said yesterday it would pay $74.3m (£39.7m) for the US business. It includes two south-eastern plants which process calcium carbonate quarried near Sylacauga, Alabama, as well as strategic reserves in Vermont and California. The likelihood of the acquisition had been announced in March.

Cyprus's operations will be merged with ECCA Calcium Products, which also has a plant at Sylacauga. Calcium carbonate is used in a wide range of industrial products, including paper, plastics, polymers, paint and adhesives.

The new business achieved operating profits of $6.2m on turnover of $26.8m in 1987. Tangible assets are estimated at $70m.

ECC, which will report its interim results on Thursday, said the acquisition should make a significant contribution to *US* profits.

The sterling Eurobond is ECC's first convertible issue. The conversion price will be set at an 8 per cent to 12 per *cent premium* over ECC's closing price on Thursday, when terms will be fixed by lead managers Schroders. The interest rate is expected to be between 6¾ and 7 per cent.

Sharp recovery for Brewmaker

REDUCED overheads following a programme of cost reductions in its previous financial year enabled Brewmaker to post a sharp recovery in taxable profits for the year to end-January.

Turnover for the USM-quoted home brewing supplies group showed a decline from £6.98m to £5.76m, but profits at the pre-tax level, unencumbered by redundancy provisions which accounted for £118,000 in the previous year, advanced to £422,557 (£2,859).

After tax of £157,948 (£32,342), earnings per 1p share worked through at 1.47p (0.16p loss). The directors announced a special interim payment of 0.5p in January, but have again decided not to recommend a final dividend.

Control of the group passed in February to investors headed by South African Tony Acton. Brewmaker yesterday reaffirmed its intention to expand its activities to "involve the generation of service income from a range of property assets", with particular emphasis to be placed initially on housing care and related services to the retired and elderly.

Beaverco acquiring Aronstead

BY PATRICK DANIEL

Beaverco, the USM-quoted plastics and consumer products manufacturer, is to acquire *Aronstead, the* Yorkshire-based supplier of garden furniture, for about £4.2m.

Beaverco, also based in Yorkshire, will pay an initial £2.2m in cash and shares with a deferred payment of about £2m depending on Aronstead's profits to March 31, 1991.

Mr John Prudhoe, Beaverco's managing director, said the acquisition will complement the existing product range, especially that of subsidiary Beaverfoam, one of the largest foam manufacturers in the UK.

Many of Aronstead's products - sold to most High Street retailers and mail order companies - have a high foam content that is currently supplied by other foam makers.

With new legislation in the offing to tighten fire safety regulations for upholstered furniture, Aronstead will become an additional outlet for the company's new combustion-modified foam marketed under the Safeguard label.

The safety regulations covering garden furniture are expected to be similar for indoor furniture. Andalthough the proposed legislation will not come into force until February next year, furniture manufacturers and retailers are already competing to offer "safer" sofas and chairs.

In addition, foam makers are rushing to establish their own brands of high-tech foams. Apart from Beaverco, other foam manufacturers, such as Dunlopillo and British Vita, have invested in new capacity to meet the challenge.

Aronstead, which won independence from the Inchcape Group through a management buyout in 1984, made turnover of £13.8m in 1987.

Pre-tax profit attributable to garden furniture activities was £959,000 but this was pulled down by a pre-tax loss of £469,000 at Allexy, the toy pram maker it acquired in October 1986. Steps to improve Allexy's performance were "well advanced", Mr Prudhoe said yesterday.

Beaverco, which has a market capitalisation of £13.1m at yesterday's closing share price of 200p, up 10p, reported an interim pre-tax profit of £560,000 for the six months to end-September 1987 on turnover of £9.6m.

SHARE STAKES

Changes in share stakes announced last week included:

Broad Street Group: the directors bought a total of 2.09m ordinary shares in the company split evenly four ways.

Helical Bar: Prampton Co has bought 100,000 ordinary shares, taking its holding to 1.2m (6.34 per cent).

Intec Group: Bolton House Securities has reduced its stake to 11.12m shares (16.86 per cent), following the sale in three separate tranches of 7.34m shares. Mr A. Millar bought the third batch of 6.64m and now holds 9.9 per cent.

A&M Group: City & Westminster Financial has exercised its right to buy from Mr C. Maclean, a director, 5m ordinary shares.

Baldwin: Mr S. Singh has purchased 142,083 ordinary shares at 145p each, taking his holding to 392,083 shares (5.39 per cent). Mr Askham has sold 25,833 shares and his wife sold 16,250 at 145p, they jointly retain 55,000 (0.75 per cent).

Amalgamated Financial Investments: North of England Industrial Estates has purchased 4.05m ordinary shares (9.88 per cent). Directors Mr P. Beswick and Mr G. Howard, who have resigned from the board, sold 2.85m and 850,000 shares respectively. Mr F. Welsh was appointed chairman of Amalgamated and Mr D Cadman a director. Both men are directors of NEIE.

Moss Bros: Quantum Fund of Curacao has increased its holding *to* 343,000 shares (11 per cent).

WA Holdings: director Mr P. Teichman has sold 1.25m ordinary shares at 26p and now holds 1.22m ordinary (3.2 per cent).

Theme Holdings: Mr Nicholas Kerman, a non-executive director, purchased 11,000 ordinary shares at 46p.

Ford Sellar Morris: Mr I. Sellar purchased 2.65m shares at 83p, and 284,465 at a similar price, and sold 300,000 at 110p, and now holds 8.05m. Mr M. Morris bought 2.64m at 83p, sold 500,000 at 110p, and holds 7.53m. Mr N. Wallis bought 1.03m, sold 80,000 at 83p and 500,000 at 110p and now holds 2.58m. Mr A. Leyland purchased 12,250 at 83p and now holds 37,250. Mr W. Johnston purchased 2,450 at 83p and now holds 7,450. Mr J. Wallis has a stake of 80,000, acquired at 83p each.

IN BRIEF

FLEMING FAR Eastern Investment reports earnings 0.96p for year ended March 31 1988 (0.82p) and paying final dividend 0.7p for 0.9p (0.8p) total. Net asset value 214p per share. Income £5.47m (£4.57m) and pre-tax revenue £2.44m (£2.07m).

GT ASIA (Sterling) Fund: loss £9,735 year ended March 31 1988 (*profit £96,621*). *Income* £143,860 (£228,680). Value of units held in GT Asia Fund £19.57m (£20.06m).

LEXICON (Massachusetts-based maker of digital audio equipment): Pre-tax losses $589,000 (£316,000) for six months to February 29 1988 against $956,000. Net sales $4.13m ($2.98m). Losses per share 4 cents (same) after tax credit $270,000 ($634,000).

LUCAS INDUSTRIES rights issue of 33.52m shares at 500p has been taken up in respect of 94.8 per cent.

RUGBY GROUP is extending its joinery manufacturing activities with the acquisition of two Dutch companies, De Vries Gorredijk and De Vries Trappenfabriek for *a cash consideration of Fl 19.2m* (£5.5m).

SOUZA CRUZ Industria e Comarcia, 75 per cent owned Brazilian subsidiary of BAT Industries, reported the following net results of investments in subsidiaries and associates for the three months to March 31 1988: tobacco Cruzado 1.15bn (£4.5m approx.); paper and pulp Cr 927.1m, fruit juice Cr 737.6m loss; other Cr 335.3m.

Holders prefer units in TR Tech liquidation

by Clay Harris

The spoils of TR Technology Investment Trust, £302.5m in assets, have finally been divided after a seven-month dispute between the Touche Remnant-managed investment trust and a 27 per cent shareholder, *Jersey-based Firmandale* Investments.

Independent investors opted heavily to switch into a TR unit trust rather than two new quoted investment vehicles. However, because the proportional distribution had been fixed since March, elections for units will be heavily scaled down.

Under the liquidation formula agreed by TR and Firmandale, 27 per cent of assets will be distributed to Govett American Endeavour Fund, an offshore *dollar-denominated* fund managed by Berkeley Govett, Firmandale's adviser.

The rest remains under TR management, split between an existing unit trust, Global Technology Fund (28 per cent), and TR Technology, a new split-level investment trust (45 per cent).

Firmandale was joined by few independent investors in selecting Endeavour, so shareholders will receive 97 per cent of the shares applied for.

Within the TR stable, however, more than two-thirds of shares were committed to the unit trust option, far more than available. As a result, shareholders will receive only 56 per cent of the units applied for. Applications for the new TR Technology trust be met in full.

Biwater £4.8m offer fully unconditional

by Andrew Hill

Biwater, a private water contracting and engineering group, has declared its £4.75m agreed offer for East Worcestershire Waterworks fully unconditional and final.

The offer – the first for a statutory water company since the 1973 Water Act – was made by Biwater Supply, a joint venture between the private company and senior managers of East Worcestershire.

Biwater now owns or has received acceptances for ordinary stock and £10 ordinary stock equivalent to 61.8 per cent of East Worcestershire's voting shares.

The company was forced to increase its offer two weeks ago when it bought a 12.5 per cent stake from Lyonnaise des Eaux, a French water supplier which acquired the shares in breach of the Takeover Code. The Panel forced Lyonnaise to sell the holding.

The offer will remain open until further notice.

This announcement appears as a matter of record only

£73,500,000

Management Buy-In of the Bearings Division of RHP Group plc by United Precision Industries Limited (a company formed by management)

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COMMODITIES AND AGRICULTURE

Japanese build cadmium stockpile

BY KENNETH GOODING IN NICE

THE JAPANESE are building a strategic stockpile of cadmium to protect themselves against possible shortages or further substantial price rises for a metal which already has gone up from $1 a lb this time last year to more than $8 a lb.

According to delegates at the Metal Bulletin Minor Metals Seminar here, the Japanese this year will buy more than 1,000 tonnes of cadmium for their stockpile compared with their total consumption last year of 2,260 tonnes.

About 80 per cent of the cadmium is being used in rechargeable nickel-cadmium batteries and the biggest producer of the portable variety, Sanyo, will this year consume 2,000 tonnes, more than the whole of the Japanese battery industry in 1987, predicted Mr Marc Desirat of the Vieille Montagne Metals group.

Traders also said that there were signs that the Soviet Union was building up its reserves of cadmium in preparation for production of its own nickel-cadmium industrial batteries using technology acquired recently from Saft of France, overall the major producer of nickel-cadmium batteries. Soviet inquiries for 50 and 100 tonne lots of cadmium are currently being dealt with by West European traders.

Mr Phillippe Seurin, Saft's industrial director, pointed out that nickel-cadmium batteries were probably best able to withstand the extreme temperatures experienced by locomotives on the Soviet railway system so the potential was enormous.

However, he said that the current high price of cadmium would in the medium term speed up recycling of batteries and the introduction of replacement technology.

Saft estimated that it would be possible to reclaim 100 per cent of the cadmium used in industrial batteries but only 20 per cent of that in portable batteries, which are typically used in consumer goods and tools. That would still provide an annual 2,000 tonnes of cadmium compared with an output of primary metal of around 15,000 tonnes.

Producers and users at the seminar were predictably far apart on their estimates of cadmium consumption by the $1bn battery business this year.

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes

Aluminium standard	-1,925	to	32,800
Aluminium high grade	-6,800	to	14,050
Copper grade A	-3,825	to	40,125
Lead	+175	to	27,425
Nickel	-204	to	2,268
Zinc	-75	to	30,500
Tin	-80	to	17,780
Silver (oz).	-308,000	to	17,354,000

Indonesia loses patience with stalled coal project

BY JOHN MURRAY BROWN IN JAKARTA

MR GINANDJAR Kartasasmita, Indonesia's new Energy Minister, has moved quickly to stamp his mark on the country's troubled coal industry, sacking the director of Bukit Asam the largest state-owned mine and threatening foreign contractors with a system of performance penalties if production targets continue to be missed.

This new tough approach reflects the Government's determination to diversify domestic energy supply away from oil, which accounts for about 40 per cent of installed capacity. It also marks a further deterioration in relations with the foreign mining firms.

The project's latest headache is caused by teething problems with the mine's German-built bucket wheel excavators, supplied by Orenstein and Koppel AG, the Lubeck engineering concern and the world's largest producer of mine excavation equipment.

This mechanical giant which has a diameter of almost 10 metres and combines the precision engineering of a Swiss watch with the honest plod of the sausage machine is well proven in the pits of Central Europe. But engineers at Bukit Asam say the lignite is harder than expected. The clay overburden or waste material, 20m tonnes of which has to be removed to expose the full coal face, is also proving too sticky and thus less manageable. According to Mr Rody Pesiwarissa, chief engineer at the mine, explosives may now have to be used, adding to costs and project downtime, and causing a further setback to production targets.

This is not the first of Bukit Asam's problems. This huge 7 sq km site carved from the jungles of South Sumatra was developed to supply the state-run power station at Suralaya with fuel sufficient to take Java's grid into the next century. A massive $1bn-plus investment, the project won backing from the World Bank, support from leading international contractors and harnessed the most sophisticated mining technology that money could buy.

But less than three years after being formally opened, the scheme is stalled by legal wrangles. Contractors are niggling over the fine print with the result that PLN, the state electricity utility, is importing coal from Australia to keep the first two of Suralaya's seven proposed 400 mw power units operating.

No one said it would be plain sailing. The project has had to co-ordinate the different sectors of mining, power and transport. It must also match the often competing interests of PLN, Batubara — the state-run coal company, and both shipping and railways authorities.

On top of this imported coal looks increasingly attractive since international prices, a major factor in the original feasibility study, have not increased as World Bank economists predicted. Weather conditions have proved equally unpredictable, with days lost through mudslides and flooding.

Publicly at least the Government presents a brave face. In an interview in March Mr H.M. Hoesni, the mine's outgoing director, said output would treble from 500,000 tonnes in 1987-88 to 1.6m tonnes next year, with the mine reaching full capacity of 3m tonnes in 1989-90. PLN announced last month it was slashing coal imports by 50 per cent this year to 480,000 tonnes. Mr Soetaryo Sigit, director general of mines, speaking to a recent conference in Surfers Paradise, Australia, even claimed Indonesia could challenge Australia as Asia's main coal exporter within the next decade.

At the mine the reality is less rosy. Two of the five excavators are out of order — an effective 40 per cent cut in capacity. Engineers say damage to one bucket is so severe it will have to be retooled in Germany which could take up to three months. Even working at full steam the operation has been held up by delays on the railroad, a 400km track to the port at Tarahan. As a result the stockpile at the minehead reached as much as 400,000 tonnes in recent months, and is still in excess of 200,000 tonnes today.

If anything troubles further down the line at Tarahan have been more acute. In 1986 a £40m port construction contract was terminated because of site subsidence problems. Balfour Beatty the UK contractor, was replaced by Ballast Nedam N.V. of the Netherlands.

Today the Government is adopting a new tough line with contractors. Rheinbraun, the German consultants are being challenged to get the mine to full production — something they promised to achieve within the first 12 months of operation. The Government has been equally critical of the extent of technology transfer — described in a confidential report as "frankly disappointing".

Some officials are now questioning whether the project made sense in the first place. There are still good reasons for developing non-exportable energy resources, to free more oil for export. But was it appropriate to employ a capital intensive high technology when skills are short but the country abounds in cheap labour?

When the project proposals were first put to the Government Montreal Engineering, the main consultant suggested the cheaper and more widely-used "truck-and-shovel" technology. In the event the claims made by Rheinbraun which have since proved impossible to meet were decisive in winning the backing of both the Government and the World Bank for the so-called German Open pit Mining System.

NZ to put butter case to MacGregor

BY DAVID BLACKWELL

MR JIM GRAHAM, chairman of the New Zealand Dairy Board, will today be putting what he believes is a strong case for the continuation of the country's exports of butter to Britain to Mr John MacGregor, the UK Agriculture Minister.

The board is clearly worried by the growing pressure from powerful European farm lobbies for a substantial cut and ultimately a complete phasing out of quota arrangements which have given New Zealand's dairy sector guaranteed access to the UK market since Britain joined the EC in 1973.

New Zealand relies on dairy exports for 20 per cent of its foreign earnings, and the protection of the 74,500 tonne UK quota was one of the main reasons behind the visit to Europe last month by Mr David Lange, the NZ Prime Minister.

Mr Graham is nearing the end of a European tour which has already taken in the European Commission in Brussels, along with France, Greece, the Netherlands, West Germany and Denmark. He will be telling Mr MacGregor that so far he has heard no logical argument for stopping New Zealand's butter exports.

"There is not one ounce of benefit to the UK farmer if we go out," he said yesterday. "The UK dairy farmers can't get extra milk quotas — and they can't get any extra money.

"Whatever sales we drop in the UK, a market has to be found somewhere else — which will displace EC exports."

However, Mr Graham admitted that New Zealand, which has 38 per cent of the UK market, would find it difficult to convince UK farmers of its case, and said he was not surprised at what he called the level of sabre rattling over butter access.

But he said that the opposition from European farmers was based on "a lack of understanding of the world market."

Mr Graham, who has yet to visit Ireland, reiterated the continuing importance to his country of the Treaty of Rome and the Dublin Declaration.

"The two declarations are as important to us now as they were then," he said, urging more co-operation on world markets while prices were strong.

Basle Fair results cheer up world jewellery trade

BY KENNETH GOODING, MINING CORRESPONDENT

THE WORLD'S jewellery industry, which uses about 60 per cent of all gold mined annually, is breathing more easily now the results of last month's Basle Fair are beginning to flow through.

The fair, the most important of its kind in the world, took on a new significance this year because of the confusing signals about demand for jewellery after the collapse in world-wide share prices last October.

However, Mr Henry Schaeren, the exhibitors' committee chairman, now reports: "Representatives from the majority of countries rated the course of the fair in a positive light, with the previous year's results being exceeded in most cases.

"All in all, last autumn's stock-exchange crises had fewer negative consequences than had been anticipated."

He says the fair attracted more visitors than ever — 88,406, against 85,300 last year. The number of US visitors rose again. There was increased attendance from South-east Asia and Australia.

The 1,892 exhibitors, mainly manufacturers, generally agreed the fair attracted the world's leading buyers, Mr Schaeren said.

The gold-jewellery industry's renewed confidence accords with the latest forecast about sales.

This comes from the Christian, Podleski and van Musschenbroek research group, for Goldman, Sachs, the New York stock-broker.

CPM says demand for gold from the fabricators fell by 6.7 per cent, to 38.2m troy ounces, last year, mainly because of a weakness in markets where jewellery is bought and sold in US dollars.

However, CPM forecasts jewellers' gold use will bounce back by 2 per cent this year, to about 39m ounces.

The jewellers' optimism extends to the gem-diamond business.

Mr Edmund Goldstein, president of the World Federation of Diamond Bourses, says that in Japan, which accounts for 22 per cent of the gem- and-diamond market, retailers report they expect first-half sales to show a rise above the corresponding period last year.

This, even though there was a 62 per cent rise in the value of imports of polished diamonds last year, to $1.5bn.

Imports continue to rise monthly. The 274,695 carats imported in February was a record for diamond imports for one month, Mr Goldstein says.

Economic statistics from the US, which accounts for 30 per cent of the gem-diamond market, continued to look healthy.

Perhaps the most important signal that the diamond market is going well came from De Beers Central Selling Organisation when it raised the price of rough (uncut) diamonds by 13.5 per cent last month.

Mr Julian Ogilvie Thompson, De Beers chairman, said: "The mood in both the cutting centres and the retail trade is optimistic.

"Given the maintenance of producer co-operation and growth in the major economies we can look forward to another satisfactory year."

Brazil's gemstone exports go from strength to strength

BY PATRICK KNIGHT IN SAO PAULO

DEMAND FOR Brazilian gemstones, which now form 65 per cent of the world's supply of precious stones apart from diamonds, is rising by between 15 per cent and 20 per cent a year.

Brazil has the world's largest variety of gems. Exports of its diamonds, emeralds, aquamarines, tourmalines, opals, topazes, amethysts and 90 other stones officially earnt about $100m last year.

Probably the same amount again left the country illegally for the trade is notoriously difficult to control.

The US and Europe are each taking about 40 per cent of Brazil's gem exports, but Europe's share is gradually rising.

Brazil's importance as a source of gemstones dates back 300 years. It was the world's leading diamond-producer before being displaced by South Africa in the 1860s. Many other Brazilian gems have only become really respectable in the past 40 years.

However, all linked to the gem trade are infuriated by Brazil's top-quality imperial topaz, aquamarine, opal, amethyst, tourmaline and many others still being called semi-precious.

They say division of stones into precious and semi-precious categories was a cunning idea devised by European jewellers in an attempt to:

● Maintain the high prices of the four traditional and hardest stones — diamonds, rubies, sapphires and emeralds.

● Prevent others of equal beauty and rarity from threatening their trade.

Many Brazilian stones are geologically equivalent and in colour, rarity and beauty are often superior to the original classics. Many command the same prices anyway.

Dealers are also unhappy to see gems categorised as commodities. They say no two stones are identical; all are flawed in one way or another; and, the various qualities involved — colour, size, relative scarcity — not to mention changing fashion, means objective criteria and scientific measurement cannot be applied.

Dealers recall the surge in diamonds after the 1970s oil-price rises. The price of a carat rose from $14,000 to $45,000, but tumbled back as sharply again.

Jewellers, forced from the market, resented the disruption from speculators.

The Brazilian Government is trying to impose order into the chaotic gemstone business.

Taxes on uncut-stone outpot have been cut to a standard 1 per cent, to encourage more to be sold officially.

Exporters can now exchange their gems for physical gold, or be paid at its world price rather than at official exchange rates.

Brazil's largest jewellery houses, such as H. Stern and Amsterdam Sauer, boast they are integrated companies with their own mines, as well as producing and retailing jewellery.

In spite of this, 90 per cent of Brazilian gems is still found by many freelance miners called garimpeiros. At its smallest this army is 60,000 strong. It can triple when jobs are scarce.

Some areas have now been reserved for mechanical mining and put out-of-bounds to freelancers but the authorities dare not interfere too much while freelance mining provides such an important safety-valve.

The miners scour the country in search of gems and almost their only obstacle is modern farming.

Minas Gerais state, from where more than half of all gems still comes, is now Brazil's foremost coffee-producer. Fenced coffee groves obscure lodes which farmers often deliberately conceal to deter marauding miners.

This threatens the production of aquamarines, 90 per cent of which come from Brazil, and also tourmalines, 80 per cent of which are Brazilian.

Gems are invariably found in association with base metals such as iron, manganese and chromium and new finds of these metals are regularly being made. In a country of which no more than a third has been properly surveyed and which has a massive area of Pre-Cambrian shield.

Mr Jules Roger Sauer, founder of the country's second-largest jeweller, Amsterdam Sauer, says that every mountain and every river contains some precious stones and he is not concerned about a future shortage.

He is ambivalent about freelance miners, particularly as he was once one himself, as was his great German rival Mr Hans Stern.

Mr Stern, president of what he has built up to be the world's fourth-largest jeweller, says that even the best-equipped organisations will only find a proportion of the stones it needs because most occur so rarely that there is no alternative to relying on chance finds.

Mr Stern says supplies of the best quality stones, notably amethysts and aquamarines, are becoming scarce.

Mr Sauer is more sanguine and Amsterdam Saner, the leading exporter of uncut stones, has recently had an order for 250 tonnes of quartz from China for sculpting into animals, while he also sees a very good future for the now relatively-cheap agates.

Indian tea record

INDIA'S LARGEST tea broker, J. Thomas and Company Private, has predicted a record Indian tea crop in 1988, reports Reuter from Calcutta.

In its annual market report for 1987 it says India is likely to produce around 700m kg in 1988 against 673m in 1987 and 624m in 1986.

WORLD COMMODITIES PRICES

LONDON MARKETS

LONDON METAL Exchange aluminium prices continued to gain ground yesterday until running into profit-taking at the higher levels. High grade (99.7 per cent pure) metal closed at $2,745 a tonne, up $90, while standard grade (99.5 per cent) put on £23 to ££1,432.50 a tonne. The rises were encouraged by news of an aggregate fall in LME warehouse stocks of the two grades of 8,725 tonnes last week to 46,650 tonnes. A substantial fall had been predicted, however. In the copper market talk of shipment dealys was reported to have encouraged a widening in the premium for cash grade A metal, which rose £50 to £1,233 a tonne, over three months, which rose only £13.50 to £1,136 a tonne. Nickel prices bounced up after Friday's sharp fall, with the cash quotation closing at $17,050 a tonne, up $575. The Baltic Freight Futures Market continued last week's rally with the October position gaining another 25 points to 1,520.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.10-5.15t	+0.075
Brent Blend	$16.53-6.56t	+0.010
W.T.I.(1 pm est)	$17.60-7.65t	-0.02

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$188-191	+3
Gas Oil (Soviet)	$143-144	+1
Heavy Fuel Oil	$78-80	+1
Naphtha	$163-165	+5
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$445	+2
Silver (per troy oz)♣	643c	+7
Platinum (per troy oz)	$527.0	+10
Palladium (per troy oz)	$122.00	+0.75
Aluminium (free market)	$2655	+20
Copper (US Producer)	104⅝-105c	-⅛
Lead (US Producer)	35.5c	
Nickel (free market)	770c	+10
Tin (European free market)	£3647.5	-25.0
Tin (Kuala Lumpur market)	17.39r	+0.01
Tin (New York)	324c	
Zinc (Euro. Prod. Price)	$1055	
Zinc (US Prime Western)	54c	
Cattle (live weight)†	111.65p	+0.90*
Sheep (dead weight)†	220.75p	+9.39*
Pigs (live weight)†	70.95p	+1.29*
London daily sugar (raw)	$228.0s	+0.4
London daily sugar (white)	$239.0s	+1.5
Tate and Lyle export price	£227.5	
Barley (English feed)	£104.5u	
Maize (US No. 3 yellow)	£132.5	
Wheat (US Dark Northern)	£92.25	
Rubber (spot)♥	65.50p	-0.50
Rubber (June) ♥	69.50p	-0.50
Rubber (July) ♥	69.75p	-0.50
Rubber (KL RSS No 1 June)	312.5m	-0.5
Coconut oil (Philippines)§	$530s	
Palm Oil (Malaysian)§	$412.5	
Copra (Philippines)§	$360	
Soyabeans (US)	£158.0	-0.5
Cotton "A" index	63.55c	-0.40
Wooltops (64s Super)	670p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. u-Oct/Dec. x-Jun/Jul. t-Jun. s-May/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
May	910	910	918 912
Jly	933	928	937 930
Sep	948	943	950 946
Dec	967	963	971 965
Mar	988	985	992 988
May	1008	1003	1010 1005
Jul	1024	1019	1026

Turnover: 2278 (1424) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 6 : 1225.54 (1225.81) .10 day average for May 9 : 1225.24 (1222.18)

COFFEE £/tonne

	Close	Previous	High/Low
May	1053	1058	1055 1045
Jly	1074	1079	1076 1054
Sep	1084	1097	1090 1074
Nov	1097	1113	1110 1088
Jan	1115	1133	1128 1109
Mar	1132	1153	1150 1138
May	1150	1175	

Turnover: 3666 (4198) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 6: Comp. daily 1979 116.01 (114.80); 15 day average 115.38 (115.50).

SUGAR $ per tonne

Raw	Close	Previous	High/Low
Aug	202.60	194.00	202.20 193.80
Oct	201.60	193.80	212.00 193.60
Dec	192.00	194.00	202.00 194.00
Mar	201.80	194.00	201.80 193.60
May	191.80	195.00	

White	Close	Previous	High/Low
Aug	241.50	234.50	241.00 235.00
Oct	238.00	230.50	237.50 232.50
Dec	238.00	230.80	233.00
Mar	243.00	236.50	240.00 238.00

Turnover: Raw 2413 (1238)lots of 50 tonnes; White 1072 (255).
Paris- White (FFr per tonne): Aug 1346, Oct 1335, Dec 1335, Mar 1375, May 1398, Aug 1398

GAS OIL $/tonne

	Close	Previous	High/Low
May	143.75	143.75	146.50 143.75
Jun	141.75	141.80	143.25 141.50
Jul	141.50	140.50	142.25 141.25
Aug	142.75	142.00	143.00 142.00
Sep	144.50	143.25	144.50 144.50

Turnover: 5442 (4605) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
May	104.05	104.20	104.40 103.50
Jly	106.45	106.50	106.75 106.00
Sep	101.80	101.75	101.80
Nov	103.75	103.55	103.90 103.70
Jan	106.40	106.10	106.40
Mar	108.75	108.45	108.85 108.75
May	111.10	110.70	111.10 111.00

Barley	Close	Previous	High/Low
May	104.60	104.10	104.75 104.60
Sep	98.40	98.10	98.40
Nov	101.05	100.85	101.05
Jan	103.25	103.05	103.25
Mar	105.00	104.80	105.00
May	107.20	107.00	107.20

Turnover: Wheat 220 (63) , Barley 21 (21) lots of 100 tonnes.

POTATOES £/tonne

	Close	Previous	High/Low
May	65.0	71.0	70.0 64.5
Nov	85.5	86.0	85.5 86.0
Feb	98.0	97.0	
Apr	126.5	126.5	127.0 125.8
May	137.0	137.0	

Turnover: 187 (97) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	2735-55	2650-80		2745-65		
3 months	2315-35	2280-90		2325-45	2310-30	4,363 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 29,500 tonne
Cash	1430-5	1407-12	1443/1440	1440-1		
3 months	1216-7	1217-8	1226/1211	1220-2	1216-7	50,159 lots
Copper, Grade A (£ per tonne)						Ring turnover 42,900 tonne
Cash	1232-4	1182-4	1226/1210	1225-6		
3 months	1135.5-6.5	1122-3	1138/1127	1136-8	1134.5-5	70,626 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1180-90	1132-5		1170-80		
3 months	1100-10	1080-90		1100-10		36 lots
Silver (US cents/fine ounce)						Ring turnover 10,000 ozs
Cash	638-41	631-3	636	635-6		
3 months	649-52	642-4		644-7	648-53	658 lots
Lead (£ per tonne)						Ring turnover 7,575 tonne
Cash	338-9	338-40	341	340.5-1.5		
3 months	326-6.5	327-7.5	329/324	328.5-9	324-6	10,732 lots
Nickel ($ per tonne)						Ring turnover 1,404 tonne
Cash	17000-100	16450-500	17200/16900	16900-7000		
3 months	14000-50	13450-500	14100/13558	13850-900	13900-4100	6,926 lots
Zinc (£ per tonne)						Ring turnover 10,850 tonne
Cash	605.5-6.5	611-3	612	611-2		
3 months	598.5-9.5	604-5	602.5/598	602-2.5	595-6	19,039 lots

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Jun	128.00	128.00	128.80 128.00
Aug	127.00	127.00	127.50
Oct	128.00	128.90	
Dec	131.00	131.50	
Feb	134.50	135.50	
Apr	135.20	136.00	135.00 134.50

Turnover: 80 (178) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Jly	1445.0	1420.0	1450.0 1430.0
Oct	1520.0	1495.0	1525.0 1515.0
Jan	1520.0	1495.0	1520.0 1505.0
Apr	1544.5	1537.5	1550.0 1540.0
Jly	1362.5	1362.5	1362.5
Oct	1460.0	1425.0	1460.0
BFI	1387.0	1375.5	

Turnover: 1055 (1573)

TEA

There were 21,296 packages on offer in this week's sale including 4,200 packages in the offshore section, reports the Tea Brokers Association. Demand remained selective. The best Kenya Pekoe dusts were well supported but the majority of the brighter liquoring and medium East Africans declined by 4-8p with Tanzanias attracting limited enquiry. Plainer descriptions proved irregular and barely steady. Bangladesh teas were mainly unwanted. Ceylons again received good competition at generally firm rates and a few improved teas tended dearer. Offshore teas met fair demand at little change in rates, although Kenyas were barely steady and plainest sorts neglected. Quotations: quality 135p (same), medium 92p (95p), low medium 94p (96p).

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	444¾-445¼	236½-237
Opening	443¼-443¾	237-237½
Morning fix	443.6	237.156
Afternoon fix	444.4	236.286
Day's high	445-445½	
Day's low	443¼-443¾	

Coins	$ price	£ equivalent
US Eagle	458-463	243¾-246¾
Mapleleaf	458-463	243¾-246¾
Britannia	458-463	243¾-246¾
Krugerrand	443½-448½	236-238
1/2 Krug	231-240	122⅞-127¾
1/4 Krug	114-122	60⅝-64⅞
Angel	455-460	242¼-244¾
1/10 Angel	45-51	24½-27¼
New Sov.	104¾-105¾	55¾-56½
Old Sov.	104¾-106¾	53¾-56¼
Noble Plat	535.8-541.0	286.4-289.5

Silver fix	p/fine oz	US cts equiv
Spot	339.35	637.50
3 months	346.20	649.05
6 months	354.15	662.20
12 months	370.35	688.20

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	July	Sept	July	Sept
2100	340	220	11	143
2250	216	153	38	222
2400	124	105	92	310
Aluminium (99.5%)	**Calls**		**Puts**	
2100	300	205	21	157
2250	186	141	57	239
2400	106	94	123	339
Copper (Grade A)	**Calls**		**Puts**	
2050	172	167	53	125
2150	114	122	94	178
2250	72	87	150	241

US MARKETS

The precious metals rallied on a combination of local, commission house and trade buying which touched off light stops as near-term resistance levels were penetrated, reports Drexel Burnham Lambert. Initial resistance in gold came from overhead trade selling, but this dissipated later on in the day. Copper rallied on mixed buying and the advance accelerated as the market pushed through resistance levels. Energy futures weakened with trade and local selling in light volume. Coffee was featureless as the market awaited a decision on quotas. Cocoa continued to creep higher, while sugar rallied on a combination of fund, trade and commission house buying which touched off stops as the market reflected an apparent improvement in fundamentals. Cattle futures were strong, touching new contract highs, in response to firmer beef prices. Hogs were higher despite lower cash prices as traders unwound forward spreads. Bellies followed hogs. Continued nervousness over the weather was reflected in the grains markets, despite weekend rains. Initial weakness in the soybeans resulted from commercial covering against light country movement, but professional buying firmed the market.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	447.5	443.7	0	0
Jun	448.8	445.3	449.2	445.5
Jul	451.0	447.5	0	0
Aug	453.2	449.7	453.7	449.9
Oct	458.0	454.5	458.5	454.5
Dec	463.0	459.5	463.5	458.3
Feb	468.2	464.6	0	0
Apr	473.4	469.7	0	0
Jun	478.8	475.0	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
May	536.0	523.1	0	0
Jul	539.5	526.6	540.0	526.5
Oct	545.4	532.3	546.0	534.5
Jan	551.5	538.6	551.0	536.6
Apr	557.5	544.6	0	0
Jul	564.3	551.4	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	647.0	636.1	647.0	638.0
Jun	650.2	641.2	0	0
Jul	654.5	645.5	655.0	645.0
Sep	663.0	654.0	664.0	655.0
Dec	677.0	667.5	677.5	668.0
Jan	681.5	672.3	0	0
Mar	691.2	682.0	687.0	687.0
May	701.0	691.8	703.0	695.0
Jul	711.1	701.0	0	0
Sep	721.5	712.1	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	100.65	97.85	101.00	98.50
Jun	97.00	95.25	0	0
Jul	94.65	92.15	94.80	93.00
Sep	90.65	88.85	91.00	89.40
Dec	86.65	85.65	87.00	86.00
Jan	85.85	84.90	0	0
Mar	84.00	83.40	84.00	84.00
May	83.20	82.60	0	0
Jul	82.50	82.10	0	0
Sep	81.80	81.60	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Jun	17.65	17.74	17.77	17.59
Jul	17.71	17.75	17.76	17.65
Aug	17.71	17.73	17.74	17.64
Sep	17.67	17.69	17.70	17.63
Oct	17.64	17.64	17.65	17.56
Nov	17.56	17.59	17.60	17.56
Dec	17.53	17.54	17.54	17.48
Jan	17.47	17.49	17.48	17.47
Feb	17.40	17.44	17.44	17.40
Mar	17.39	17.39	17.39	17.38

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Jun	47.75	47.42	47.75	47.30
Jul	47.00	46.70	47.05	46.65
Aug	47.35	47.11	47.40	47.00
Sep	47.80	47.71	47.95	47.50
Oct	48.50	48.31	48.55	48.30
Dec	49.60	49.51	49.65	49.40
Feb	49.50	49.53	49.50	49.50
Mar	48.25	48.23	48.25	48.25

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1610	1593	1610	1603
Jul	1635	1628	1640	1632
Sep	1646	1640	1654	1645
Dec	1670	1664	1677	1668
Mar	1707	1702	0	0
May	1734	1729	1734	1734
Jul	1758	1753	0	0
Sep	1785	1779	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	133.70	134.35	134.20	133.80
Jul	135.71	136.38	136.00	135.60
Sep	136.95	137.61	137.45	136.85
Dec	138.63	139.03	139.00	138.50
Mar	138.90	139.00	139.00	138.80
May	138.95	138.98	0	0
Jul	138.85	138.95	0	0
Sep	140.45	140.95	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	8.87	8.47	8.89	8.48
Oct	8.95	8.58	8.96	8.59
Jan	8.70	8.38	8.70	8.70
Mar	8.95	8.63	8.95	8.68
May	8.97	8.70	8.88	8.70
Jul	9.07	8.74	9.07	9.07
Oct	9.21	8.88	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	63.15	61.73	63.25	61.55
Oct	59.83	59.10	59.90	59.05
Dec	58.44	58.70	58.60	58.65

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	171.00	170.30	171.00	169.80
Jul	165.56	165.70	165.80	164.25
Sep	161.90	161.35	162.05	161.10
Nov	157.40	157.65	157.50	157.25
Jan	153.80	153.25	153.50	152.50
Mar	153.50	153.25	0	0
May	153.50	153.25	0	0
Jul	153.50	153.25	0	0
Sep	153.50	153.25	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

May 6	May 5	mnth ago	yr ago
1729.3	1729.6	1718.4	1576.3

DOW JONES (Base: December 31 1974 = 100)

Spot	129.05	129.17	130.53	127.54
Futures	132.80	132.61	133.98	127.51

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	700/0	692/4	700/4	688/4
Jul	710/6	702/6	711/4	698/0
Aug	714/6	707/4	715/0	702/4
Sep	718/2	709/4	718/4	705/4
Nov	726/4	718/4	727/0	713/0
Jan	735/0	726/2	735/4	722/0
Mar	742/4	734/0	742/4	729/4
May	746/0	738/4	746/0	738/0
Jul	749/0	740/4	749/0	738/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	23.35	23.19	23.35	22.98
Jul	23.71	23.57	23.72	23.34
Aug	23.91	23.76	23.92	23.55
Sep	24.08	23.97	24.08	23.76
Oct	24.20	24.05	24.25	23.95
Dec	24.52	24.42	24.54	24.21
Jan	24.57	24.45	24.60	24.35
Mar	24.70	24.47	24.70	24.50
May	24.85	24.70	24.85	24.70
Jul	24.87	24.70	24.85	24.90

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	208.9	208.0	209.0	206.5
Jul	207.7	205.0	207.8	204.5
Aug	207.7	205.8	207.5	204.5
Sep	208.1	206.2	208.3	205.4
Oct	208.5	208.5	208.5	206.0
Dec	210.7	208.8	211.0	207.5
Jan	211.3	209.0	211.3	208.5
Mar	212.8	211.0	212.0	210.0
May	216.0	213.5	216.0	211.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	200/2	201/6	201/6	198/6
Jul	209/4	210/4	211/0	209/0
Sep	216/6	217/6	217/6	215/6
Dec	226/2	226/4	228/0	224/4
Mar	234/4	235/0	234/4	232/6
May	239/4	240/0	239/4	237/6
Jul	242/0	242/2	242/0	240/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	301/6	297/6	301/6	299/0
Jul	311/0	307/4	311/4	307/2
Sep	319/0	316/2	319/6	316/4
Dec	330/6	327/4	331/2	327/0
Mar	337/0	333/4	337/0	334/0
May	335/4	332/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	72.80	72.70	73.20	72.75
Aug	68.82	68.72	69.15	68.55
Oct	68.17	68.25	68.60	68.12
Dec	68.92	69.00	69.25	68.75
Feb	68.50	68.62	69.15	68.50
Apr	69.70	69.90	70.00	69.60
Jun	69.70	69.65	69.85	69.60

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	51.67	51.65	51.97	51.45
Jul	51.53	51.17	51.75	51.00
Aug	49.75	49.10	49.92	49.10
Oct	44.62	44.20	44.70	44.00
Dec	45.75	45.08	46.05	45.15
Feb	45.45	44.90	45.60	44.90
Apr	42.90	42.75	43.30	42.75
Jun	45.05	44.95	45.25	44.92

PORK BELLIES 38,000 lbs; cents/lb.

	Close	Previous	High/Low	
May	51.55	52.00	52.20	51.40
Jul	51.77	52.27	52.56	51.70
Aug	51.02	51.27	51.35	50.75
Feb	60.07	60.32	60.45	59.95
Mar	59.72	60.20	59.90	59.55
May	59.25	60.25	0	59.25
Jul	58.90	59.90	0	58.90

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Renewed surge by sterling

STERLING rose to its highest level against the D-Mark for nearly two years. The pound moved back under the spotlight, as the dollar was left to one side.

Buying of the pound was seen in Singapore and Tokyo, leaving the currency at around DM3.14, before a large commercial order in early London trading pushed it up to DM3.15.

Sterling remained in demand, closing at the highest level since July 1986, as it rose to DM3.1625 from DM3.1275 on Friday.

There was a little intervention by the Bank of England, but only as a smoothing operation. The UK authorities appeared content to let the pound rise on the froth created by a forecast from US commission house, Goldman Sachs, reported in the UK press at the weekend.

According to Goldman Sachs the pound may have the potential to rise to DM3.27, but dealers were quick to note that another forecast at the weekend pointed to sterling falling to DM2.60.

Barclays de Zoete Wedd said it disagrees with both extremes, and suspects the pound will still be around DM3.00 in 1992.

Sterling also rose 1.80 cents to $1.8795, and climbed to Y234.50 from Y232.50; to SFr2.6325 from SFr2.61; and to FFr10.7225 from FFr10.6350.

On Bank of England figures, the pound's exchange rate index rose 0.6 to 78.5, the highest since January 1986.

The dollar was on the sidelines, with dealers believing it is unlikely to show much movement this week, because the US Treasury will want stability during it refunding auctions.

Little change is expected until the US trade figures are published on May 17.

In quiet trading the dollar rose to DM1.6820 from DM1.68, but eased to Y124.80 from Y124.85; to SFr1.4005 from SFr1.4015; and to FFr5.7050 from FFr5.7125.

According to the Bank of England, the dollar's index was unchanged at 92.8.

D-MARK – Trading range against the dollar in 1988 is 1.7120 to 1.5850. April average 1.6720. Exchange rate index 148.4 against 151.5 six months ago.

Apart from sterling, which was particularly strong, the other currency to find some measure of interest in Frankfurt was the French franc.

This followed the result of the French presidential election, which appeared to defy speculation that the return to office of President Mitterrand would lead to a run on the franc, and a devaluation of the currency in the EMS.

At the fixing in Paris the D-Mark fell to its lowest level against the franc for nearly two weeks. The D-Mark was fixed at DM3.3946, compared with DM3.40 on Friday.

In Frankfurt sterling closed at DM3.1625, against DM3.13 before the weekend.

The dollar was very quiet, finishing at $1.6805, compared with DM1.6820 on Friday. Earlier in the day the Bundesbank did not intervene when the dollar was fixed at $1.6803, against DM1.6790.

JAPANESE YEN – Trading range against the dollar in 1988 is 131.15 to 122.75. April average 124.92. Exchange rate index 245.7 against 228.9 six months ago.

The yen was little changed, in quiet foreign exchange trading. The dollar closed at Y124.85, compared with Y124.90 on Friday.

Comment in the UK press at the weekend switched attention to sterling. The pound was particularly strong against the D-Mark, with dealers commenting that DM3.17 is now within sight. Others suggested the market appeared to be ripe to trade on speculation and hearsay.

The pound closed at around DM3.14, but enthusiasm cooled towards the close.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4524	+2.34	+0.92	±1.5344
Danish Krone	7.85212	8.00543	+1.95	+0.53	±1.6404
German D-Mark	2.05853	2.07765	+0.93	-0.49	±1.0981
French Franc	6.90403	7.05205	+2.14	+0.72	±1.3674
Dutch Guilder	2.31943	2.32478	+0.45	-0.97	±1.5012
Irish Punt	0.768411	0.778046	+1.26	-0.16	±1.6684
Italian Lira	1483.58	1544.95	+4.14	+3.27	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

May 9	Latest	Previous Close
£ Spot	1.8810-1.8820	1.8625-1.8635
1 month	0.15-0.13pm	0.13-0.11pm
3 months	0.40-0.36pm	0.46-0.43pm
12 months	1.80-1.70pm	2.12-2.02pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May 9	Previous
8.30 am	78.2	78.0
9.00 am	78.2	78.0
10.00 am	78.3	78.0
11.00 am	78.5	78.0
Noon	78.4	77.9
1.00 pm	78.5	77.9
2.00 pm	78.6	77.9
3.00 pm	78.6	77.9
4.00 pm	78.5	77.9

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

Belgian rate is for convertible francs. Financial franc 66.50-66.60. Six-month forward dollar 0.57-0.52cpm 12 month 1.80-1.70cpm

CURRENCY RATES

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.35-35.45.

CURRENCY MOVEMENTS

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years 8¼-8⅞ per cent; three years 9¼-9⅜ per cent; four years 9¼-9⅝ per cent; five years 9⅜-9¾ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others two days' notice.

OTHER CURRENCIES

May 9	£	$
Kuwait	0.51420-0.51470	0.27400-0.27410
Luxembourg	66.00-66.10	35.10-35.20
Malaysia	4.8530-4.8650	2.5840-2.5860
Mexico	4285.60-4386.65	2282.00-2292.00
N. Zealand	2.7350-2.7400	1.4550-1.4565
Saudi Ar.	7.0385-7.0445	3.7500-3.7510
Singapore	3.7660-3.7720	2.0050-2.0070
S. Af (Cm)	4.1280-4.1465	2.2015-2.2030
S. Af (Fn)	5.4445-5.5745	2.8985-2.9675
Taiwan	53.25-53.51	28.55-28.65
U.A.E.	6.8950-6.8980	3.6725-3.6735

*Selling rate

EXCHANGE CROSS RATES

May 9	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
F Fr.	0.933	1.754	2.951	218.8	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.380	0.714	1.201	89.06	4.071	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.282	0.530	0.892	66.15	3.024	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.426	0.800	1.347	99.83	4.564	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.429	0.806	1.356	100.6	4.597	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.514	2.846	4.789	355.0	16.23	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Mixed reaction to strong pound

SHORT STERLING prices rose sharply in yesterday's Liffe market after a strong rise in sterling's value. The pound's improvement was seen as reducing the possibility of a rise in UK base rates. However gilt prices finished below their best, as investors remained concerned about a rise in the rate of inflation.

The June price for three-month sterling deposits opened at 91.29, up from 91.20 on Friday. The pound's sudden improvement and a fall in cash rates, quickly boosted values to a high of 91.42, and the contract closed at 91.41.

Dealers suggested that part of the improvement reflected a correction, with short term investors unwinding oversold positions.

Long gilt futures were left languishing after many market makers pulled back from the trading floor. Volume was down to below 15,000 as investors aired their misgivings about the risks of higher inflation.

The June long gilt price slipped to a low of 119-30 from 120-09 at the start, but recovered to close at 120-04 compared with 119-31 on Friday.

Traders had been hoping for some reaction to UK producer prices released yesterday. However an unexpected 1.1 p.c. rise in input prices after a 0.7 p.c. fall in March, failed to have any effect, while a 0.6 p.c. rise in output prices in April after an increase of 0.5 p.c. in March, was at the top end of expectations.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
114	608	—	0	—
116	409	—	1	—
118	215	—	7	—
120	45	—	37	—
122	7	—	163	—
124	1	—	357	—
126	0	—	556	—

Estimated volume total, Calls 2003 Puts 1852
Previous day's open int. Calls 48534 Puts 39050

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
80	728	659	0	31
82	528	521	0	57
84	333	356	5	128
86	146	240	18	212
88	33	143	105	315
90	8	62	244	434
92	2	33	438	605

Estimated volume total, Calls 76 Puts 31
Previous day's open int. Calls 3850 Puts 1538

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements MAY	Calls-settlements Jun	Puts-settlements MAY	Puts-settlements Jun
16500	1361	1437	6	82
17000	891	1035	36	180
17500	493	699	138	344
18000	218	439	363	584
18500	74	256	719	901
19000	19	138	1164	1283
19500	3	69	1648	1714

Estimated volume total, Calls 0 Puts 2
Previous day's open int. Calls 75 Puts 90

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

20-YEAR 12% NOTIONAL GILT; 7-10 YEAR 9% NOTIONAL GILT; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE MONTH STERLING; FT-SE 100 INDEX; THREE MONTH EURODOLLAR; US TREASURY BONDS 8%; CURRENCY FUTURES

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%; JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); U.S. TREASURY BILLS (IMM); THREE-MONTH EURODOLLAR (IMM); SWISS FRANC (IMM); STANDARD & POORS 500 INDEX

[illegible]

MONEY MARKETS

UK rates lower

INTEREST RATES fell in London yesterday, as sterling moved higher on favourable weekend press comment. The pound's improvement came after a report from Goldman Sachs, which suggested that there was no need for an increase in UK interest rates and that the pound could sustain a further rise against the D-Mark.

Three-month interbank money fell to 8$\frac{1}{16}$-8$\frac{1}{16}$ p.c. from 8⅛-8¼ while the one year rate was lower at 9¼-8⅞ p.c. from 9$\frac{5}{16}$-9$\frac{3}{16}$ p.c. Overnight money opened at 8-7⅞ p.c. and moved up to 8½-8¼ p.c. before slipping away to a low of 2 p.c. However late balances were taken nearer 5 p.c.

UK clearing bank base lending rate 8 per cent from April 11

The Bank of England forecast a shortage of around £450m, with factors affecting the market including repayment of late assistance and bills maturing in official hands, together with a take up of Treasury bills draining £567m. The unwinding of previous sale and repurchase agreements absorbed a further £302m while banks brought forward balances £240m below target. These were partly offset by Exchequer transactions which added £215m and a fall in the note circulation of £460m.

The forecast was revised to a shortage of around £500m, and the Bank gave assistance in the morning of £49m, through outright purchases of £31m of eligible bank bills in band 1 and £18m in band 4, all at 7⅞ p.c.

Additional assistance in the afternoon came to £319m, and comprised outright purchases of £4m of Treasury bills, £9m of local authority bills and £206m of eligible bank bills, all in band 1 at 7⅞ p.c. In band 2 it bought £33m of eligible bank bills and £65m in band 3, all at 7⅞ p.c. Late help came to £110m.

In Frankfurt, call money showed little change, while longer term rates were marginally higher – in line with a rise in Eurodollar rates.

However today's Bundesbank sale and repurchase tender is not expected to hold any surprises, and the rate is likely to remain fixed at 3.25 p.c. Dealers argued that a build up of inflationary fears in New York after a fall in US unemployment, was not sufficient to make the Bundesbank push West German rates higher.

Dealers also took note of comments by Mr Lother Mueller, a member of the Bundesbank council, when he suggested that rates should be held down in the short term. However he added that a rise in rates – in the long run – could not be ruled out.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

NEW YORK (Lunchtime): Prime rate; Broker loan rate; Fed funds; Fed funds at intervention; Treasury Bills and Bonds

Frankfurt; Paris; Zurich; Amsterdam; Tokyo; Milan; Brussels; Dublin

[illegible]

LONDON MONEY RATES

Interbank Offer; Interbank Bid; Sterling CDs; Local Authority Deps.; Local Authority Bonds; Discount Mkt Deps; Company Deposits; Finance House Deposits; Treasury Bills (Buy); Bank Bills (Buy); Fine Trade Bills (Buy); Dollar CDs; SDR Linked Dep Offer; SDR Linked Dep Bid; ECU Linked Dep Offer; ECU Linked Dep Bid

[illegible]

Company Notices

ESPIRITO SANTO FINANCIAL HOLDING S.A.

Société Anonyme
Luxembourg, 37, rue Notre-Dame
R.C.Luxembourg B 22.232

Avis de convocation

Messieurs les Actionnaires sont convoqués par le présent avis à l'Assemblée Générale Statutaire qui aura lieu le 27 mai 1988 à 11.00 heures dans les locaux de la KREDIETBANK S.A. Luxembourgeoise, 43, boulevard Royal, Luxembourg, avec l'ordre du jour suivant:

Ordre du jour

1. Rapport de gestion du Conseil d'Administration et rapport du Commissaire.
2. Approbation des comptes annuels et affectation des résultats au 31 décembre 1987.
3. Décharge aux Administrateurs et au Commissaire.

Le Conseil d'Administration

AMCOAL

Anglo American Coal Corporation Limited

(Incorporated in the Republic of South Africa)
(Company registration number 01/01489/06)

"Amcoal maintains dividend and is forecasting improved results"

Extracts from the review by the Chairman, Mr W G Boustred

As forecast in the 1987 annual report, the earnings attributable to Amcoal shareholders of R104.9 million were substantially lower than the R190.9 million earned in the previous year.

Export tonnages decreased by 11 per cent, US dollar prices were weaker and a stronger average rand/US dollar exchange rate resulted in significantly lower export revenues. Revenue was further eroded by successive increases in the export railage rates introduced in April and September 1987. These adverse factors were partially offset by increased coal sales to Eskom and the containment of unit working costs increases to a level below the rate of inflation. The Group's cash resources remain a substantial asset and income from these funds made an important contribution to group earnings.

After deducting minority shareholders' interests of R6.7 million, the attributable earnings of R104.9 million represented earnings of 429.4 cents per share compared with 781.1 cents for the previous year. A final dividend of 160 cents per share has been declared, maintaining the total dividend for the year at 240 cents per share. The dividend cover of 1.8 times is considered adequate in current circumstances.

Exports

During calendar 1987, exports of South African coal totalled 42.6 million tons, some 2.9 million tons or 6 per cent less than the tonnage exported in the previous year.

Amcoal's own export tonnages during the financial year under review declined by 0.2 million tons, or 3 per cent less than in the previous year. There was, in addition, a further significant reduction of 0.9 million tons or 23 per cent in the Group's exports on behalf of the TCOA as the sanctions applied by France, Denmark and the United States took their effect.

The oversupply of steam coal in world markets continued well into the financial year with spot prices for South African steam coal falling to below US$20 per ton. This, together with the other adverse factors mentioned above, severely impacted the operations of South African exporters and resulted in significant quantities of coal being exported at a loss.

However, in recent months prices have improved, and contract and spot coal prices are now in the range of US$25-US$27 per ton FOB Richards Bay. These improved prices have flowed from China's inability to meet its contractual arrangements both in Europe and the Far East, thus creating a tightness in the supply from other producers. While current price levels can probably sustain established operations, prices will need to increase further to justify any new investment in export capacity.

Industrial relations

The strike by members of NUM over the issue of wages, following a number of work stoppages earlier in the year, was a set-back in the process of building a sound and constructive relationship with trade unions and employees. While Amcoal remains committed to a policy of constructive relations with trade unions, such unions must accept that the best interests of their members cannot be served by policies and actions which threaten the long-term viability of the industry.

The willingness of NUM to reach a negotiated settlement in respect of employees dismissed during the strike last year was a positive development, especially as the settlement provides for a code of conduct which will enable both Amcoal and NUM to act against workplace violence.

It is important to note that the strike involved only one group of unionised employees and that members of other unions and officials' associations made it possible to maintain production at high levels during the strike, and this must be acknowledged.

The lack of progress in abolishing the statutory job reservation provisions of the Mines and Works Act continues to be of concern. In hampering the advancement of employees of colour in the mining discipline we are losing time and goodwill. This the country can ill afford, and the Minister of Economic Affairs and Technology needs to proceed on the issue with all due haste.

The Group accepted the invitation of the board of Anglo American Corporation of South Africa Limited to participate in The Anglo American Group Employee Shareholder Scheme. This scheme, which is entirely voluntary, will enable employees with two or more years' service to become shareholders of Anglo American Corporation. The scheme will allow employees to experience wealth as a resource and will show how money invested in well managed enterprises creates wealth for the community in addition to providing a worthwhile reward to the investor. Over 80 per cent of Amcoal's employees have elected to join the scheme, a strong endorsement by employees of its objectives and a measure of the effectiveness with which these were communicated to employees.

Future prospects

Based on recent trends in the international coal markets, the lower rand/US dollar exchange rate, and subject to no further sanctions, Amcoal's earnings from coal exports are expected to show some improvement, and there will be further growth in domestic earnings. Accordingly, the Group is forecasting improved results for the year ahead.

In the longer term, it is difficult to forecast the environment in which the Group will operate. South Africa cannot afford an inflation rate substantially above the rates of its major trading partners, and consequently the recent initiatives taken by the State President in the fight against inflation are to be welcomed. Restraints on prices and earnings, however, must be accompanied by sound fiscal and monetary policies if major distortions are to be avoided. New economic policies, however soundly based and courageously implemented, will not secure a stable future for the country without concomitant moves towards political reform and power sharing and it is imperative that the stalled reform initiatives regain momentum. The recent constitutional proposals announced by the State President are a move towards this objective. Given real political and economic progress, I am confident that Amcoal, with its financial resources, competent management, and strong position in the coal markets, will earn acceptable returns for its shareholders.

London Office: 40 Holborn Viaduct, London EC1P 1AJ

EUROPEAN OPTIONS EXCHANGE

Series		May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Nov. 88 Vol	Nov. 88 Last	Stock
GOLD C	$460	74	0.80	6	10.30	-	-	$445
GOLD P	$420	87	0.50	5	4	-	-	$445
GOLD P	$440	175	2.30	15	9	-	-	$445
GOLD P	$460	16	16	5	18	-	-	$445
		May 88		Jan. 88		Jul. 88		
EOE Index C	Fl. 185	35	19.80	-	-	-	-	Fl. 204.80
EOE Index C	Fl. 200	89	5.50	13	9	15	11	Fl. 204.80
EOE Index C	Fl. 205	95	2.80	112	5.70	-	-	Fl. 204.80
EOE Index C	Fl. 210	57	1.30	11	4.70	13	6	Fl. 204.80
EOE Index C	Fl. 215	69	0.70 A	3	3	5	5	Fl. 204.80
EOE Index C	Fl. 220	14	0.20	10	2 A	-	-	Fl. 204.80
EOE Index C	Fl. 225	25	0.30	-	-	2	2.20	Fl. 204.80
EOE Index P	Fl. 190	43	0.80	10	3	-	-	Fl. 204.80
EOE Index P	Fl. 195	54	1.50	208	4.90	23	6.50	Fl. 204.80
EOE Index P	Fl. 200	89	3	67	6.20	56	9	Fl. 204.80
EOE Index P	Fl. 205	224	4.70	12	8.70	29	10.80	Fl. 204.80
EOE Index P	Fl. 210	37	8.20	13	11.20	15	14 B	Fl. 204.80
EOE Index P	Fl. 215	25	12	-	-	-	-	Fl. 204.80
S/Fl C	Fl. 190	55	0.60	25	1.30	-	-	Fl. 188.48
S/Fl C	Fl. 200	-	-	12	0.05	-	-	Fl. 188.48
S/Fl P	Fl. 185	-	-	65	0.90	6	2.10	Fl. 188.48
		Jul. 88		Oct. 88		Jan. 89		
ABN C	Fl. 40	52	0.70	11	1.50	322	2	Fl. 37.20
ABN P	Fl. 45	116	7.50	1	8.90	10	9	Fl. 37.20
AEGON C	Fl. 80	15	1.30	39	2.30	50	4.20	Fl. 75.10
AEGON P	Fl. 75	29	4.50	-	-	-	-	Fl. 75.10
AHOLD C	Fl. 75	110	1.10	-	-	-	-	Fl. 70.10
AHOLD P	Fl. 70	-	-	35	4.20	-	-	Fl. 70.10
AKZO C	Fl. 120	215	1.20	240	3.60	5	5.50	Fl. 107.50
AKZO P	Fl. 110	343	6	17	8.50 B	9	10.50 B	Fl. 107.50
AMEV C	Fl. 55	621	2	37	3.20	1	4	Fl. 52.50
AMEV P	Fl. 50	251	2.30	84	3.70	36	4.20	Fl. 52.50
AMRO C	Fl. 65	53	1.80	61	3	-	-	Fl. 63.20
AMRO P	Fl. 65	46	3.20 B	4	5	20	5.80	Fl. 63.20
BUHRMANN-T C	Fl. 50	81	0.50	15	1.50	22	2.50	Fl. 44.40
BUHRMANN-T P	Fl. 45	15	3.60	24	4.10	1	5	Fl. 44.40
ELSEVIER C	Fl. 50	39	2.70	20	4	-	-	Fl. 50.50
ELSEVIER P	Fl. 50	22	2.20	-	-	10	5	Fl. 50.50
GIST-BROC. C	Fl. 35	194	1.10	33	2.20	17	3	Fl. 32.50
GIST-BROC. P	Fl. 30	17	1.30	110	2.80 A	-	-	Fl. 32.50
HEINEKEN C	Fl. 120	27	8.50	-	-	-	-	Fl. 125.20
HEINEKEN P	Fl. 120	40	2.90	27	5	50	7	Fl. 125.20
HOOGOVENS C	Fl. 35	68	4.40	-	-	13	7	Fl. 37.80
HOOGOVENS P	Fl. 35	52	1.40	66	2.80	42	3.70	Fl. 37.80
KLM C	Fl. 35	187	2	33	2.90	-	-	Fl. 35
KLM P	Fl. 35	74	1.80	41	3.50	-	-	Fl. 35
KNP C	Fl. 127.30	12	6	-	-	-	-	Fl. 127
KNP C	Fl. 100	16	1.70	9	4.20	-	-	Fl. 127
KNP P	Fl. 140	10	13	30	13.50 B	-	-	Fl. 127
NEDLLOYD C	Fl. 230	30	18	-	-	-	-	Fl. 244
NEDLLOYD P	Fl. 230	40	9.50	2	17	-	-	Fl. 244
NAT.NED. C	Fl. 60	56	1	3	2	4	3	Fl. 55.40
NAT.NED. P	Fl. 55	215	2.20 B	72	3.30	-	-	Fl. 55.40
PHILIPS C	Fl. 27.50	157	1.40	78	2.30	5	3.30	Fl. 27.30
PHILIPS P	Fl. 30	58	3.10	4	3.80	1010	4.20	Fl. 27.30
ROYAL DUTCH C	Fl. 210	1680	19	-	-	-	-	Fl. 229.30
ROYAL DUTCH P	Fl. 200	168	1.40	-	-	-	-	Fl. 229.30
ROBECO P	Fl. 90	130	3.50	-	-	-	-	Fl. 87.90
UNILEVER C	Fl. 110	537	2.90	25	5.60	-	-	Fl. 105
UNILEVER P	Fl. 100	596	2.80	10	4.60	46	6	Fl. 105

TOTAL VOLUME IN CONTRACTS : 22,363

A = Ask B = Bid C = Call P = Put

BASE LENDING RATES

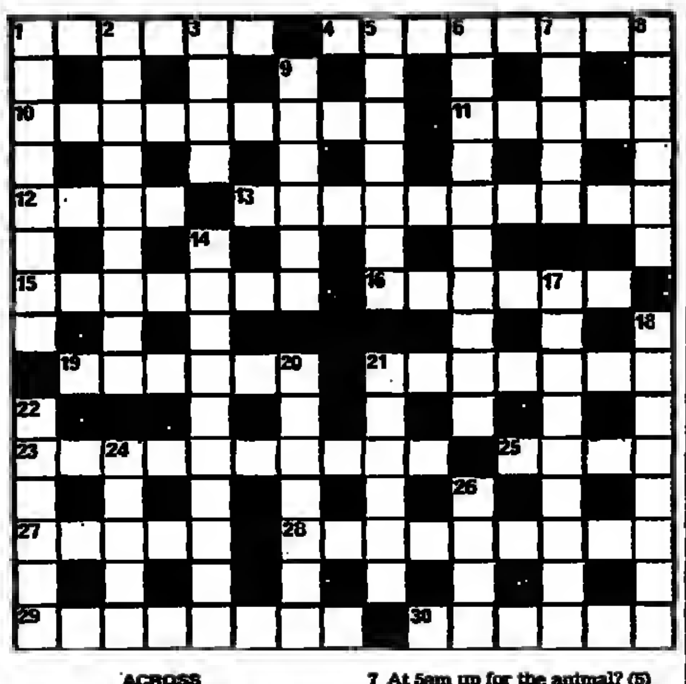
	%		%		%
ABN Bank	8	Citibank NA	8	Nat Bk. of Kuwait	8
Adam & Company	8	City Merchants Bank	8	NatWestminster	8
AAB - Allied Arab Bk	8	Clydesdale Bank	8	Northern Bank Ltd	8
Allied Irish Bank	8	Comm. Bk. N. East	8	Norwich Gen. Trust	8
Henry Ansbacher	8	Co-operative Bank	*8	PK Finans. Int(UK)	9
ANZ Banking Group	8	Cyprus Popular Bk	8	Provincial Bank PLC	9
Associates Cap Corp	10	Dunbar Bank PLC	8	R. Raphael & Sons	8
Authority Bank	8	Duncan Lawrie	8	Roxburghe G'tantee	9½
B & C Merchant Bank	8	Equatorial Bank plc	8½	Royal Bk of Scotland	8
Banco de Bilbao	8	Exeter Trust Ltd	8½	Royal Trust Bank	8
Bank Hapoalim	8	Financial & Gen. Sec	8	Smith & Williams Secs.	8
Bank Leumi (UK)	8	First National Bank Plc	9	Standard Chartered	8
Bank Credit & Comm	8	● Robert Fleming & Co.	8	TSB	8
Bank of Cyprus	8	Robert Fraser & Ptnrs.	9	UDT Mortgage Exp	¶9.4
Bank of Ireland	8	Girobank	8	United Bk of Kuwait	8
Bank of India	8	Grindlays Bank	8	United Mizrahi Bank	8
Bank of Scotland	8	● Guinness Mahon	8	Unity Trust Bank Plc	8
Banque Belge Ltd	8	HFC Bank PLC	8	Western Trust	8
Barclays Bank	8	● Hambros Bank	8	Westpac Bank Corp.	8
Benchmark Bank PLC	8	Heritable & Gen Inv Bk	8	Whiteaway Laidlaw	8½
Berliner Bank AG	8	● Hill Samuel	§8	Yorkshire Bank	8
Brit Bk of Mid East	8	C. Hoare & Co.	8		
● Brown Shipley	8	Hongkong & Shangh	8		
Business Mtge Tst	8½	Lloyds Bank	8		
Cl. Bank Nederland	8	Meghraj Bank Ltd	8		
Central Capital	8	Midland Bank	8		
● Charterhouse Bank	8	Mount Bnkg Corp.	8		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 3.50% Sunwise 6.16%, Top Tier-£2,500+ at 3 months' notice 7.5%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 3.00%. Mortgage 9.125% - 9.5%

JOTTER PAD

FT CROSSWORD No.6,626

SET BY QUARK



ACROSS

1 and 4 Suffer the punishment of many strikers? (3,3,8)
10 Representation of royal part in Reformation (9)
11 Pictures recalled church remains (5)
12 Regrettin' defeat (4)
13 Misdirected dart could land here in the open (5,5)
15 Medley of tunes (i.e. in succession) (2,5)
16 Remains petrified? (6)
19 Human mind when taking up to prepare for action (6)
21 Bit of performance with a joke (Irish one?) (7)
23 Edible plant excellent round garden's edges (10)
25 Barge in here with almost threatening expression (4)
27 It's hard being included in rent for part of plant (5)
28 Charlie Bowler, perhaps (4-5)
29 Coin collector (5-3)
30 Did sac burst to produce the larva? (6)

DOWN

1 Writer about drink (9)
2 Classical youth seen in the spring (9)
3 Some with urticaria feel pain (4)
5 Start of French call to rising minister now at an end (3,4)
6 Distinction the army included within high rank (10)
7 At 5am up for the animal? (5)
8 Fashionable finish in test....(6)
9 ....with extras for a farewell (3-3)
14 Just a little money is miserly (10)
17 Came together and agreed (9)
18 How rockets can be pointed (8)
20 Bookbinder's size to give hot setting (7)
21 Benefit for pit working (6)
22 Piece of wood nearly surrounding copper shield (6)
24 Small beginning of an officer (navy)? (5)
26 Girl, in truth missing the city? (4)

Solution to Puzzle No.6,625

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scottish Life Investments(z)

19 St Andrew Sq, Edinburgh 031-225 2211

Scottish Mutual Investment Managers Ltd

109 St Vincent St, Glasgow G2 5HN 041-248 6100

Scottish Provident Inv. Mgt. Ltd

6 St Andrew Sq, Edinburgh EH2 2YA

Scottish Unit Managers

Scottish Widows' Fund Management

Vanguard Trust Managers Ltd —Contd.

Wardley Unit Trust Managers Ltd (a)

99, Bishopsgate, London, EC2P 2LA 01-374 0861

Waverley Asset Management Ltd (a) (c) (g)

Wellington Fund Mngrs Ltd

2, London Bridge, SE1 01-407 4404

Wessex Asset Management

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assoc.	379.5	399.6	—	—
Eb'r Ph. Eq.	330.4	351.4	—	—
Pension Plan Funds				
Phoenix				
UK Equity Acc.	166.9	175.6	+0.5	—
International Acc.	125.7	132.3	-1.3	—
Property Acc.	130.3	137.1	—	—
Fixed Interest Acc.	155.3	163.4	-0.3	—
Money Acc.	139.0	146.3	-0.1	—
Bldg. Soc. Link Acc.	136.2	143.3	+0.1	—
Special Mnged. Acc. O	147.4	155.1	-0.1	—
Phoenix/Framlington				
Intnl. Growth Acc.	86.7	91.2	+0.5	—
Amer. & Gen. Acc.	80.3	84.3	-0.2	—
Capital Tst. Acc.	167.7	176.5	-0.1	—
Japan & Gen Acc.	190.8	200.8	-3.4	—
American Turn. Acc.	84.9	89.3	-0.9	—
Recovery Tst. Acc.	170.3	179.4	-0.5	—
Special Mnged Acc.	142.7	150.2	-0.8	—
Phoenix/GT				
International Acc.	125.6	130.1	-0.4	—
US & General Acc.	84.7	89.1	-0.8	—
Amer Spec Sits Acc.	65.5	68.9	-0.2	—
Japan & General Acc.	192.5	202.6	-1.8	—
Far East & Gen. Acc.	146.9	154.6	-1.1	—
UK Capital Acc.	172.1	181.1	—	—
European Acc.	131.5	138.4	-0.5	—
Special Mngd. Acc.	125.7	132.3	-0.4	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	264.7	278.7	—	—
Man Pens Inc & Cap Fds.	338.0	355.8	—	—
Money Fund	112.2	118.2	—	—
Pens Mngd Fd (Init)	85.0	89.5	—	—
Pens Mngd Fd (Acc)	94.6	101.7	—	—
Pens FT30 Fd (Init)	127.7	134.5	—	—
Pens FT30 Fd (Acc)	145.0	152.7	—	—
Pens O'seas MgFd(Init)	57.3	60.4	—	—
Pens O'seas MgFd(Acc)	65.0	68.5	—	—
Pens Fxd Int Fd (Init)	105.9	111.5	—	—
Pens Fxd Int Fd (Acc)	120.3	126.7	—	—
Pens Deposit Fd (Init)	101.2	106.6	—	—
Pens Deposit Fd (Acc)	115.0	121.1	—	—

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222
Prufund

Managed May 4	199.9	208.3	—	—

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd	424.5	446.9	—	—
Equity Fd	846.7	891.3	—	—
Intnl. Fd	297.2	312.9	—	—
Fixed Int. Fd	365.3	384.6	-1.0	—
Prop. Fd	320.3	337.2	-0.1	—
Cash Fd	236.8	249.3	+0.2	—
Pacific Basin Fd	171.0	180.1	-2.2	—
North American Fd	119.3	125.6	-1.1	—
European Fd	119.4	125.7	-1.3	—
Holborn Balanced Gwth Fd	99.3	104.6	—	—
Holborn Strategic Gwth Fd	97.9	103.1	—	—

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	464.5	489.0	+0.2	—
Equity	660.3	695.1	+1.4	—
Global Equity	191.1	201.2	-1.6	—
Fixed Interest	377.2	397.1	-0.3	—
Property	315.0	331.6	—	—
Cash	139.9	147.3	+0.1	—
Index Linked Gilt	166.9	175.7	-0.1	—
Guaranteed	7.92	—	—	—
International Money	183.5	193.2	—	—
North American Fd	54.5	57.4	—	—
Japanese Fund	125.6	132.3	—	—
European Fund	65.5	69.0	—	—
Special Situations Fd	94.1	99.1	—	—
Communications Fund	80.6	84.9	—	—
Smaller Cos Fund	94.9	99.90	—	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Apr 20	£124.67	128.21	—	—
Equity Fund Apr 20	£135.51	139.61	—	—
Intnl Fund Apr 20	£20.12	20.76	—	—
Intl Bond Fd Apr 20	£10.09	10.23	—	—
Fixed Int Apr 20	£68.32	69.18	—	—
Index Linked Apr 20	£32.35	32.98	—	—
Property Fund Apr 20	£85.95	88.56	—	—
Cash Fund Apr 20	£18.5339	18.5339	—	—

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MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100	99	Treas 9¼pc Cv '88	100 xd	+1/16	[illegible]	7.85
99½	98	Transport 3pc '78-88	99½	.....	[illegible]	6.50
100	99	Treas. 9½pc '88	100	.....	[illegible]	8.38
102	101	Treas 11½pc 1989	102	.....	[illegible]	8.58
101	99	Treas 9½pc Cnv 1989	100	.....	[illegible]	8.64
97	95	Treas 3pc 1989	96 xd	.....	[illegible]	6.36
102	100	Treas 10½pc 1989	101 xd	+1/16	10.[illegible]	8.85
102	100	Exch 10pc 1989	101¼	.....	9.[illegible]	8.89
103	101	Exch 11pc 1989	102	.....	10.[illegible]	8.85
97	95	Treas 5pc 1986-89	96	.....	5.[illegible]	7.50
104	101¼	Exch 10¼pcCv '89	102 xd	.....	9.[illegible]	8.17
107½	105	Treas 13pc 1990‡‡	106	+1/16	[illegible]	8.80
104½	102½	Exch 11pc 1990‡‡	103	.....	[illegible]	8.85
107	105	Exch. 12½pc 1990	106	.....	11.79	8.90
93	91	Treas. 3pc 1990	93	.....	3.23	6.85
99	95	Treas 8¼pc 1987-90‡‡	99 xd	.....	8.32	8.73
102½	98	Treas. 8pc Cv 1990 ‡‡	100	–1/16	7.99	7.92
103	100	Treas. 10pcCv 1990	102	.....	9.78	8.97
91	88	Exch 2½pc 1990	90½ xd	–1/16	2.76	6.60
107¼	105	Treas 11¾pc 1991	106	.....	11.06	9.03
95	92	Funding 5¾pc '87-91‡‡	94	–1/16	6.12	8.11
90	87	Treas. 3pc 1991	89 xd	–1/16	3.37	7.10
105	101	Treas 10pc Cv '91 ‡‡	103	–1/16	9.67	8.73
107	104	Exch. 11pc 1991	105	+1/16	10.41	9.04
[illegible]	95	Treas. 8pc 1991	96 xd	+1/16	8.25	9.01
[illegible]	109	Treas 12¾pc 1992‡‡	[illegible]	+1/16	11.46	9.08
[illegible]	101	Treas 10pc 1992	[illegible]	.....	9.[illegible]	9.07
[illegible]	94	Treas. 8pc 1992 ‡‡	[illegible]	+1/16	[illegible]	9.00
[illegible]	102	Treas 10½pc Cv 1992‡‡	104	+1/16	[illegible]	9.11
[illegible]	83	Treas. 3pc 1992	[illegible]	.....	[illegible]	7.17
[illegible]	108	Exch. 12¼pc '92	[illegible]	+1/16	11.[illegible]	9.19
[illegible]	[illegible]	Exch 13½pc 1992	[illegible]	[illegible]	11.[illegible]	9.21

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1988 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	33	Greek 7pc Ass.	45	.....	1.50	17.78
45	33	Do. 6pc 28 Stb. Ass.	45	.....	3	16.67
45	33	Do 4pc Mixed Ass.	45 xd	.....	2	14.44
75	63	Hung '24 Ass.	66	.....	2.75	14.37
140	128	Hydro Quebec 15pc 2011.	137½	+⅛	15.00	10.62
128	118	Iceland 19½pc Ln 2016	124¾	.....	14.50	11.56
101¼	96½	Ireland 9¾pc '91-96	100½	+¼	9.75	9.70

AMERICANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
29½	23½	Abbott Laboratories§	23½	–¼	$1.20	–	2.8
649p	466p	♦Allegheny & W 1c.	466p	–16	30c	–	1.5
11½	862p	Amax $1	10¾ xd	+¼	020c	–	–
23¾	16¼	Amdahl 5c.	23¾	+¼	20c	–	0.5
30	22	Amer. Cyanamid $5	27½	–½	$1.05	–	2.1
15½	11¼	Amer Express 60c	12½	–¼	76c	–	3.3
943p	668p	Amer Medical Int. $1	943p	+52	♦72c	–	4.2
17¼	13¾	American T. & T. $1	13½	–¼	$1.20	–	4.7
54¼	44½	Ameritech $1	46½	–¼	$5.40	–	–
20¾	16½	Amfac‡	19½	.....	–	–	–
18½	16¼	Anheuser-Busch $1	16¼ xd	–¼	60c	–	2.0
15¾	15½	Apple Bank	15½	.....	–	–	–
85p	33p	♦AridTech‡	85p	+2	–	–	–
612p	360p	BankAmerica $1⅝	525p	–6	–	–	–
20¾	16¼	Bankers N.Y. $10	16¾	+¼	$1.86	–	6.3
41¼	34¼	Bell Atlantic $1	34¼	–¼	$4.08	–	6.4
23¾	19¼	BellSouth Corp.	20¾	–¼	$2.36	–	6.3
12½	850p	♦Bethlehem Steel $8	10½	+¼	–	–	–
11¼	001p	Bio-Rad Labs. Inc. 'A'	11	+¼	–	–	–

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
33½	27¾	Sun Co. Inc. $1	30¼xd	−⅜	$3.00	–	5.5
28⅞	22⅞	TRW Inc 62½c	23xd	−⅜	$1.60	–	3.8
25½	21¼	Tenneco $5	23¼xd	+⅛	$3.04	–	7.2
27⅞	19⅞	Texaco $6.25	27¾xd	+½	$3.00	–	5.9
52⅞	43¾	Time Inc. $1	46⅝	−¼	$1.00	–	1.2
20½	13⅞	Transamerica $1	17¼	−¼	$1.84	–	5.8
10½	754p	Transworld Corp $5	950p	.....	20c	–	1.1
20½	15	TRINOVA Corp	13⅝	−⅛	56c	–	2.0
19	13½	♦USX $1	17⅞	+⅛	$1.20	–	3.8
23	17⅞	Utd Technologies	20⅞	−⅛	$1.60	–	4.3
31½	26¼	US West ‖	27⅝	−¼	$3.52	–	7.0
21½	16⅞	Waste Management $1	10½	−½	36c	–	1.1
16⅝	12⅞	Whirlpool $1	13¾	−¼	–	–	–
32⅞	18¼	♦Woolworth $3½	30⅞	−⅞	$1.64	–	3.0

CANADIANS

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
309p	190p	ASM Gold Corp ‖	194p	−1	–	–	–
32p	11p	♦Abbot Energy Corp	11p	.....	–	–	–
14¾	990p	♦Amer. Barrick Res.	10¼	−¼	–	–	–
10p	3½p	American Lightwave	6p	−1	–	–	–
47p	21½p	♦Armteco	28p	−1	–	–	–
76p	45p	Augmitto Explo	45p	−3	–	–	–
12¼	10¾	Bk. Montreal ‖	11½	−¼	$2.00	–	7.9
595p	528p	Bk. Nova Scot. ‖	538p	.....	76c	–	6.2
17½	15¾	BCE ‖	36½xd	−⅛	$2.44	–	6.5
716p	591p	♦Bow Valley‖	632p	+2	♦40c	–	2.8
12¼	10½	♦Brascan‖	10⅞	−⅛	88c	–	3.6
328p	189p	♦Breakwater Res.	221p	−2	10c	–	2.0
953p	801p	Can. Imp Bank‖	982p	.....	$1.16	–	5.7
10¾	841p	Can. Pacific ‖	11¼	−⅛	60c	–	2.6
41½	40	Do. 4pc Deb £100	40½	.....	4%	–	9.9
476p	384p	Central Capital "A" ‖	393p	−4	–	–	–
886p	288p	Cons TVX Min	318p	−8	–	–	–
183p	76p	Danbus Res	181p	−2	–	–	–
536½p	430p	Derlan Inds	512p	+12	11.75c	–	1.0
14½	984p	♦Echo Bay Mines	10½	−⅛	20c	–	0.8
40p	26p	Energex Minerals	29p	−1	–	–	–
107p	83p	Euro-Asia Capital Ltd	88p	+1	–	–	–
375p	222p	♦Galactic Resources	339p	−2	–	–	–
123p	99p	♦Geodome Res	123p	+10	–	–	–
394p	210p	Granges Explo‖	237p	+9	–	–	–
16½p	8½p	♦Gt Pacific Res.	8½p	.....	–	–	–
899p	652p	♦Gulf Canada‖	815p	.....	52c	–	2.8
10¾	816p	♦Hawker Sid Can‖	10⅝	−⅛	$1.08	–	4.5
588p	344p	Henlys Group	452p	−6	–	–	–
957p	785p	♦Hudson's Bay ‖	821p	−16	60c	–	3.2
27⅝	22⅞	♦Imperial Oil‖	25⅞	+⅛	$1.80	–	3.1
15¼	10½	Inco‖	14¾xd	−⅛	US$0.80	–	3.0
451p	312p	♦Intl. Corona Res	404p	−14	–	–	–
718p	462p	♦Inland Nat. Gas $1	538p	+16	60c	–	4.9
577p	390p	♦Lacana Mining Corp ‖	485p	−4	Q15c	–	1.4
250p	150p	Madeleine Mines	163p	−2	–	–	–
181p	126p	♦Muscocho Explo	146p	−6	–	–	–
187p	109p	♦Intl Business Sys. ‖	113p	+4	–	–	–
237p	110p	♦Nevada Goldfields	174p	+2	–	–	–
12	787p	♦Rio Algom	950p	−14	$1.30	–	6.0
13½	11¼	Royal Bk. Can. ‖	12¼	.....	$2.08	–	7.5
266p	177p	♦Royex Gold Mining ‖	232p	−13	–	–	–
32½	26⅝	Seagram‖	28	−⅛	US$1.10	–	2.2
361p	221p	♦Sonora Gold Corp‖	221p	−17	–	–	–
55p	18p	Spiral Eng	55p	+10	–	–	–
113p	35p	Tara Pure Tech. Corp. ‖	101p	−6	–	–	–
13	11½	Toronto-Dom. Bk. ‖	12½	−¼	92c	–	3.3
64p	21½p	♦Trans Atlantic Res ‖	26p	.....	–	–	–
671p	566p	♦Trans Can Pipe	647p	.....	68c	–	4.6
201p	127p	Varity Corp‖	171p	−7	8	–	–

BANKS, HP & LEASING

1988 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
181	131	ANZ SA1	168	−2	Q21c	3.1	4.9	6.7
234	200	Allied Irish	214	−1	♦Q14.6%	3.0	6.4	7.1
£12¾	£10½	Algemene Fl. 10	£10½	−⅛	Q27%	♦	7.3	♦
70	58	Anglo Irish	65	.....	Q19.69%	1.2	6.8	19.0
70½	64	Ansbacher (H.) 1p	70	.....	2.0	–	3.8	–
£34¼	£24⅝	Banco de Bilbao S.A.	£33	+¼	Q41.1%	3.1	3.0	8.9
£32½	£27¼	Banco de Santander	£30⅝	+¼	Q22%	2.4	1.8	24.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING—Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- ° Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ♯ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	71xd	......
Craig & Rose £1 γ	680	......
Finlay Pkg. 5p γ	78xd	+3½
Holt (Jos) 25p γ	£11⅝xd	......

IRISH

Nat. 9¾% 84/89	£101	......
9pc Cap Ln. 1996	£98¼	......
Fin. 13% 97/02	£118¼	......
Arnotts γ	310	......
CPI Hldgs. γ	90	......
Carrol Inds. γ	150	......
Hall (R. & H.)	140	......
Heiton Hldgs. γ	48	......
Irish Ropes γ	123	......
Unidare γ	348	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp	40
BSR	10
BTR	28
Barclays	48
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	24
Cadburys	26
Charter Cons	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FNFC	25
Gen Accident	85
GEC	15
Glaxo	110
Grand Met	42
GUS 'A'	110
Guardian	87
GKN	30
Hanson	14
Hawker Sidd	48
ICI	100
Jaguar	35
Ladbroke	38
Legal & Gen	30
Lex Service	35
Lloyds Bank	28
Lucas Inds	62
Marks & Spencer	20
Midland Bk	35
Morgan Grenfell	35
NEI	10
Nat West Bk	60
P & O Dfd	52
Plessey	16
Polly Peck	32
Racal Elect	22
RHM	35
Rank Org Ord	60
Reed Intnl	45
STC	25
Sears	14
TI	30
TSB	12
Tesco	16
Thorn EMI	60
Trust Houses	22
T&N	20
Unilever	50
Vickers	18
Wellcome	42

Property	
Brit Land	28
Land Securities	48
MEPC	44
Peachey	40

Oils	
Brit Petroleum	25
Britoil	50
Burmah Oil	45
Charterhall	6
Premier	6
Shell	110
Tricentrol	18
Ultramar	24

Mines	
Cons Gold	100
Lonrho	29
RTZ	58

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Attempt to remain above FT-SE 1800 fails as leading shares drift lower late

[illegible]

FINANCIAL TIMES STOCK INDICES

[illegible]

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1441.8	1443.0	1445.0	1441.6	1441.6	1440.8	1438.1	1436.9

Day's High 1445.1 Day's low 1436.2

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

[illegible]

The lukewarm weekend Press response to news of the bid approach saw Harris Queensway drift a couple of pence to 158p.

British Telecom, with 6.3m traded, were the most active issue in the heavily-traded electricals sector. A "switch into British Gas" recommendation issued by UBS Phillips and Drew, the securities house, depressed the shares which eventually settled 3½ lower at 247½p.

Turnover in GEC totalled 2.7m shares and in Plessey 1.2m shares; the former eased a penny to 148p and the latter 3 to 153p with the market unhappy over the level of cost savings announced by the GEC/Plessey Telecommunications joint venture.

Racal attracted turnover of 4.2m shares and eventually ended the day a shade harder at 322p, after widespread comment in the weekend Press about the possibility of takeover moves by either Cable & Wireless or Siemens.

GKN remained a relatively lively market (some 2.6m. shares changed hands) in the wake of the continuing boom in car sales, the shares advancing afresh to close 6 higher at 331p.

In a recent update on the group Morgan Grenfell (MG), the securities house is recommending purchases. MG points out that strong European car volumes ensure a steady contribution from the CJV businesses, while growth is expected from the industrial services and defence interests. They also suggest that break-up possibilities have not yet been discounted.

Elsewhere in the Engineering sector, Rolls-Royce were actively traded (8.8m) and rose 5 to 121p following a week-end Press report suggesting that the group is close to launching a more powerful version of its successful RB-211-542 engine.

Northern Foods advanced 4 more to 314p after speculation in the weekend Press that the stake ultimately controlled by Hazlewood Foods had been upped to around 3.4 per cent; the market was additionally boosted by talk that Grand Metropolitan could move in as a bidder for Northern.

Bid speculation was again doing the rounds in Unigate which jumped 5 more to 307p.

Interest fell away to an extremely low level in the International stocks. Closing prices were usually a shade lower, sentiment being disturbed by firmness in sterling and lower opening levels on Wall Street. Resisting the trend, BOC closed a shade firmer at 384p as Nomura Research recommended the stock as a long-term buy. Nomura says that BOC's earnings are of exceptional high quality and thus deserve a premium PE rating relative to the UK Market.

English China Clays, a strong market of late on RTZ bid hopes, closed a few pence lower at 449p in the wake of acquisition news; the group is scheduled to reveal half-year figures on Thursday with analysts' forecasts ranging from £48m to £58m. Good preliminary figures and the proposed one-for-four scrip issue left Hunting Associated 30 higher at 449p. Beaverco, reflecting the proposed acquisition of Wakefield-based Aronstead, a garden furniture manufacturer for about £4.2m, improved 10 to 200p.

Low and Bonar improved 5 more to 263p as FH Tomkins bid speculation persisted, while takeover suggestions prompted strength in A. Wood which jumped 15 to 167p. Bowater, a current Morgan Grenfell recommendation, firmed 4 to 390p. BAA continued to attract buyers following further comment on the group's possible bid for Lynton Property and Reversionary, closing 5 dearer at 272p in a volume of some 3.6m shares.

Stanhope featured the property sector rising 19 to 276p as the company revealed that is having talks which could lead to a major investor taking a significant stake. Stanhope also announced that the joint venture with Rosehaugh to redevelop the Royal Albert Docks had gained approval in principle from the London Docklands Development Corporation.

Other properties showed small gains in a thin market with Land Securities, at 563p, MEPC, at 535p, and British Land, at 317p. Lynton Property & Reversionary rose 4 to close at 429p with the market awaiting BAA bid developments. Continued takeover speculation raised CALA 7 to 166p.

Mersey Docks jumped 23 to 306p in the wake of a bullish circular from stockbroker Charterhouse Tilney which is forecasting profits of £5.3m for 1988 compared with £3.5m in the previous year.

Courtaulds failed to hold on to an early gain, helped by persisting speculation concerning Kerry Packer's stake in the company, now thought to be 4 per cent, and closed down a penny at 376p.

Elsewhere in the textile sector, Dawson International, 5 better at 241p, reacted to favourable weekend Press comment ahead of final figures, due next month. John Crowther hardened initially on news that Coloroll had extended its offer until May 20, but settled unchanged at 185p.

Traded options totalled 25,838 contracts, made up of 15,567 calls and 10,271 puts. Racal again attracted a heavy business with calls totalling 1,937 and puts 1,627.

Traditional Options

- First dealings May 3
- Last dealings May 13
- Last declarations July 28
- For Settlement Aug 8

For rate indications see end of London Share Service

Business expanded considerably in the Traditional option market. Stocks to attract money for the call icluded Metal Box, Hughes Food, Brasway, Racal, Wilshaw securities, Telemetrix, Marler Estates, Holmes Protection, Eagle Trust, Amalgamated Financial, Rex Williams, Ryan Hotels, Northern Foods, Harris Queensway, Underwoods, Schweppes, Randsworth, Cambian Ventures, Stainless Metal Craft, Beecham and Stormgard. Puts were arranged in Amber Day and Wellcome, while double options were transacted in A.G. Stanley, Adwest and Boots.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA Group	1,400	General Accident	74	Prudential	946
Allied-Lyons	1,500	General Elect.	2,700	Racal	4,300
Amstrad	2,600	Glaxo	770	Rank Org.	282
Argyll Group	941	Globe Investment	98	RMC	81
Assoc. Brit. Foods	198	Granada	184	RHM	409
BAA	3,600	Grand Met.	937	Reckitt & Colman	76
BAT	896	GUS "A"	389	Redland	80
BET	339	Guardian R.E.	35	Reed Intl.	388
BICC	98	GKN	2,600	Reuters "B"	197
BOC	1,300	Guinness	274	RTZ	1,000
BPB Inds	1,200	Hammerson	35	Rolls-Royce	8,800
BTR	1,000	Hanson	8,800	Rothmans "B"	1,300
Barclays	830	Hawker Siddeley	151	Rowntree	7,600
Bass	562	Hillsdown Holdings	799	Ryl Bank Scotland	444
Beecham	864	IMI	34	Royal Insurance	1,000

[illegible]

NEW HIGHS AND LOWS FOR 1988

[illegible]

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

[illegible]

FIXED INTEREST

[illegible]

LONDON TRADED OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

[illegible]

LONDON RECENT ISSUES

[illegible]

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices May 9

Sales	Stock	High	Low	Close	Chng
838021	AMCA Int	405	395	395	-10
2021	Abitibi Pr	$21⅝	21⅜	21⅜	-⅛
1500	Acklands	$15¾	15¾	15¾	+⅛
2800	Agnico E	$10	17⅞	10	+½
19849	Albrta En	$18⅞	18⅝	18⅞	
1800	Albrta N	$14	14	14	
239664	Alcan	$34¼	33⅞	34	
244	Algo Cent	$22¾	22¾	22¾	
4404	Algoma St	$21	20	21	+⅜
53661	A Barrick	$24	23⅝	24	+¼

MONTREAL
Closing prices May 9

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 47

INDICES

NEW YORK — DOW JONES

CANADA

NEW YORK ACTIVE STOCKS

CHIEF LONDON PRICE CHANGES YESTERDAY
(Prices in pence unless otherwise indicated)

RISES

Amstrad	179	+ 5
Burmah Oil	579	+ 5
Dawson Intl.	214	+ 5
Devenish (J.A.)	354	+ 17
GKN	331	+ 6
Goal Pet.	113	+ 5½
Hunting Assoc.	443	+ 30
Mersey Dock Units	308	+ 23
Ratners	251	+ 5
Stanhope Props.	276	+ 19
Stead & Simpson A	129	+ 9
Unigate	307	+ 5
Wood (A.)	167	+ 15

FALLS

Acre Oil	190	- 9

TOKYO - Most Active Stocks
Monday, May 9, 1988

	Stocks Traded	Closing Prices	Change on day
Kobe Steel	56.69m	352	-3
Japan Steel Works	23.45m	455	+32
Mitsubishi Steel	15.83m	865	-8
Toshiba	14.68m	853	-14
Keisei Electric Railway	14.28m	921	-19
Fujikura Ltd	13.84m	883	-4
Niigata Engineering	13.72m	490	+20
Kayaba	11.74m	627	-5
Mitsui Engineering	11.40m	337	+11
Minebea	11.36m	1,120	-30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR o	.36	1.6	18	844	23½	22½	25½	−1¼
27	10½	AGS s			14	358	18½	17⅞	18⅝	+⅜
7⅛	3⅛	AMCA				8	3⅛	3¼	3¼	
8⅝	3¼	AM Intl				623	3⅞	3¾	3⅞	+½
69¼	26¾	AMR			11	1622	44⅝	43¼	43⅝	−1⅛
11⅛	5¾	ARX			11	120	6½	6⅜	6⅜	
72⅞	40⅛	ASA	3	7.0		596	43⅛	42¼	43	
22⅝	9½	AVX			13	1013	17¼	16½	17⅛	−⅝
69⅝	40	AbtLab 1.20		2.7	16	4534	44⅞	43⅝	44⅝	+⅜
28	15⅞	Abitibi g 1				49	17¼	17⅛	17⅛	−¼
19⅝	8½	AcmeC .40		3.3		36	12	11⅝	12	+¼
10½	6⅝	AcmeE .32b		4.6	18	14	7⅛	7	7	−⅛
20	14⅛	AdaEx 3.05e		20.		80	15⅜	15⅜	15⅜	+¼
19¼	6⅞	AdamM .24		1.5	13	543	16¼	15⅞	16	−¼
24⅞	7½	AMD				6233	14¼	13⅞	13⅝	−⅝
66¾	29¼	AMD pf	3	7.7		140	39½	39	39	−⅛
11⅞	4⅝	Adobe			11	120	7½	7¼	7¼	−¼
20¼	16¼	Adob pf 1.84		10.		47	18⅛	17¼	17¾	−¼
21¾	17½	Adob pf 2.40		12.		36	20¾	20¾	20¾	−⅛
13⅞	6⅛	Advest .12a		1.8	7	34	6⅞	6¾	6¾	−⅛
64¼	40⅝	AetnLf 2.76		6.8	8	3401	40⅞	d40⅜	40½	−⅛
83⅛	41	AflPub .40		.7	31	x554	56⅝	55	55	−1⅞
23¾	13	Ahmans .88		6.0	10	780	14⅝	14⅜	14⅝	+¼
4⅞	1¾	Aileen				112	3½	3½	3½	
59⅞	26	AirPrd 1		3.1	14	1731	47¾	47⅛	47½	−⅜
38	11⅛	AirbFrt .60		3.5	23	25	17½	17⅛	17¼	−⅛
16½	6¾	Airgas			15	21	11⅞	11⅞	11⅞	−⅛
19¾	13½	AirleaseB.30		13.	16	37	18⅝	18⅝	18¾	−⅜
10⅛	7⅜	AlaP dpf.87		9.4		74	9¼	9⅛	9¼	
99	81½	AlaP pf 9		9.9		z90	91	91	91	
89½	77	AlaP pf 8.28		9.8		z10	83½	83½	83½	−⅛
24	12¼	AlskAir .16		.9	17	394	19	18½	18¾	−¼
28	14¾	Alberto .30		.9	19	33	32	31¾	31¾	+⅛
28¼	12⅝	AlbCulv .30		1.3	15	66	24	23⅞	23⅞	−⅛
34	20¼	Albtsn s .56		1.9	16	1059	30	29⅝	29¾	+½
37⅞	18	Alcan s .72		2.8	9	874	27⅝	27¼	27⅜	−⅛
30	15¼	AlcoS s .65		2.9	11	781	24	23⅛	23¼	−¼
28¼	15⅞	AlexAlx 1		4.6	14	180	22¼	21⅞	21⅞	−⅛
60	34¾	Alexdr			730	10	51½	51⅛	51⅛	−⅜
82½	61⅛	AlegCp			9	2	74¾	74½	74⅝	−⅛
19⅛	2⅞	vjAlgInt				136	3⅜	3¼	3⅜	
63½	17	vjAlgl pfC				29	20⅛	19¾	18¾	−¼
34	15⅛	AlgLud .30e		1.1	11	189	27½	26⅞	27	−⅛
41⅛	31⅜	AllgPw 3		8.2	9	439	38¾	38¼	38¾	+¼
105⅞	55	Allegis			12	1393	85⅝	82¾	83½	−2¼
17⅝	5½	AllenG				312	12	11¾	11¾	
25	21¼	Allen pf1.75		13.		26	14	14	14	
18¾	10	AlnCapn				190	10¼	10¼	10¼	−⅛
38⅞	12⅜	AlldPd				37	16⅝	16⅜	16⅝	−⅛
48¾	28	AldSgnl 1.80		3.6	10	1366	32⅝	31⅞	32⅛	+¼
3⅜	1	vjAllisC				155	1⅛	1	1⅛	
51¼	35⅝	AlisC pf				204	4¾	4½	4½	
10⅝	8⅞	AlstMun .78		7.8		128	10	9⅞	10	
34⅛	23	ALLTEL 1.52		4.8	16	274	31¾	31½	31⅝	
64¾	33¾	Alcoa 1.20		3.7	11	3304	43⅞	43⅜	43⅞	−⅛
32	14	AmxG n.05e		.3	26	116	22	21½	21⅞	+⅜
29¼	12½	Amax .20		1.0	61	3068	20⅝	19	19½	−¾
47¼	34	Amax pf 3		7.2		2	41⅛	41½	41⅛	−¼
41⅞	21½	AmHes .60		2.0	22	1783	30⅛	29¾	29⅞	+⅜
30⅝	12¾	ABrck s.05e				326	19½	19	19½	+¼
68	36½	AmBrnd 2.20		5.0	9	996	43⅞	43⅜	43⅞	+⅛
33⅜	27¼	ABrd pf2.75		9.5		4	28⅝	28⅝	28⅝	
26	15	ABldM .82		6.8	13	22	24¼	24⅛	24¼	−⅛
31½	13½	ABusPr .88		3.6	14	4	24⅝	24⅝	24⅝	
23	17⅞	ACapBd 2.20		11.		40	20⅝	20½	20½	
33⅜	20	ACapCv 5.61e		26.		202	21¾	21½	21⅝	
10⅛	10	ACapInn			820	10⅛	d	9⅞	10	
28	7⅜	ACMR 1		7.8	10	39	13⅛	12⅞	12⅞	−⅜
4⅝	11-16	ACentC				5	13-16	13-16	13-16	+1-16
57	29	ACyan 1.20		2.4	15	3106	51¼	49⅝	49⅝	−1
29¾	22⅛	AEIPw 2.26a		8.5	10	1470	26⅝	26⅜	26⅝	+⅛
39⅞	20¾	AmExp .76		3.3	21	8064	23¼	23¼	23⅜	−⅛
13½	9⅞	AFamly .24		1.7	11	x1261	14⅜	13¾	13⅞	−⅛
42½	27¼	AGnCp 1.40		4.8	8	1367	28⅞	28½	28¾	+¼

Continued on Page 47

NYSE COMPOSITE CLOSING PRICES

Continued from Page 46

[illegible]

X Y Z

85	50	Xerox	3	5.7	16	1018	52¾	51⅞	52⅜	
50¼	49¼	Xerox pf				200	49½	49⅜	49½	−⅛
50¾	48¾	Xerox pf4.13		8.4		2	49¼	49⅜	49⅛	−½
35¾	19⅛	XTRA	.64	2.1	16	25	21½	30⅞	30⅞	−⅜
29¾	19½	XTRA pf1.94		7.1		18	27⅜	27⅜	27⅜	−¼
47½	17½	Yorkin			15	316	48⅜	45½	40	−⅞
7¼	2¼	Zapata				403	3¼	3⅛	3⅛	−¼
87	13½	Zayre	.40	1.7	11	4212	24⅜	23⅞	23¾	−⅛
33⅜	16	ZenithE				2342	23¼	21¾	21¾	−1¼
10¾	16	Zenin n				543	10⅛	18	10	−¼
11½	1	vjZenLb				887	1⅜	1¼	1¼	−⅛
24	13½	ZenNtl	.80	3.5	16	367	23½	22⅜	22⅜	−½
20⅜	11⅜	Zero	.40	2.8	15	85	14⅜	14⅛	14⅜	+⅛
30¾	15	Zurnin s .68		3.3	14	207	21	20⅜	20¼	
10⅝	7⅝	Zweig 1.34e		13.		898	10⅜	10⅛	10¼	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

[illegible]

Continued on Page 45

FINANCIAL TIMES

Tuesday May 10 1988

AMERICA

Dow moves lower in heavy dividend-related trading

Wall Street

THE EQUITY MARKET drifted lower yesterday and the Dow Jones Industrial Average closed below 2,000 for the first time since April 21, *writes Janet Bush in New York*.

The Dow index closed 10.12 points lower at 1,997.35. Volume was high with more than 166m shares changing hands. However, much activity centred on shares which are due to go ex dividend – including utilities Southwestern Public Service and Houston Industries.

Apart from this dividend activity, there was little interest in the market yesterday as both equities and bond traders are playing a cautious game ahead of this week's US Treasury quarterly refunding, which begins today with the sale of $8.75bn three-year notes.

Dealing was subdued in the US Treasury bond market yesterday. Prices had traded little changed from Friday's close for most of the morning session but then drifted lower.

Shorter maturities were quoted up to ⅛ point lower, while the Treasury's benchmark long bond stood unchanged in late trading to yield 9.15 per cent, above its low for the day.

The market continues to be dominated by two main worries: expectations that the US Federal Reserve will tighten monetary policy in response to the strength of the economy, and concerns about inflation.

Inflation fears were again highlighted by a strong set of employment figures released on Friday.

Fed Funds reached their session highs in late trading at 7¼ per cent, compared with an average rate of 6.88 per cent on Friday.

The Fed announced it was adding $1.5bn to the money market through customer repurchase agreements yesterday, somewhat below some market expectations. The market's main preoccupation is trying to establish how much the Fed will tighten and when.

On the equity market, a number of stocks were involved in takeover activity.

Murray Ohio Manufacturing jumped $18 to $53¾, after news of a $48 a share takeover offer from Electrolux of Sweden which it rejected. The company got a temporary restraining order, barring Electrolux from buying any of its shares for 10 days.

RTE Corp gained $3¾ to $44¾. Cooper Industries agreed to buy RTE for $45 a share, which compared with a $36 a share sweetened offer from Mark IV Industries. Cooper's price fell $1 to $56⅝ and Mark IV rose $¼ to $12⅛.

Staley Continental added $⅛ to $38¾. The company, which has rejected a $35 a share takeover offer from Tate & Lyle, said it was in talks with third parties about being acquired.

In over the counter trading, Western Publishing slumped $3 to $19 in the wake of the announcement by Gulf & Western that talks about its possible acquisition of Western Publishing had been ended. Gulf & Western dropped $⅛ to $36⅞.

Media General's A shares added $2¼ to $49. The company said it would examine a sweetened $70 a share offer by companies controlled by investor Burt Sugarman.

The Bryan family, which holds a controlling interest in Media General's B shares, confirmed again its opposition to any sale of the company to Burt Sugarman.

Canada

IN LIGHT trading, the composite index fell 21.26 to 3,285.9.

Among blue chips, Northern Telecom fell C$¼ to C$22. Bell Canada Enterprises fell C$⅛ to C$38⅛.

Labatt lost C$⅛ to C$22⅞, Molson A fell C$⅛ to C$23⅛, while industrials Dofasco lost C$⅛ to C$29⅝ and Imasco off C$¼ to C$26⅞.

ASIA

Nikkei falls 223 amid US interest rate uncertainty

Tokyo

UNCERTAINTY over US interest rate trends sent investors to the sidelines in Tokyo yesterday and share prices closed lower for the third consecutive session, *writes Shigeo Nishiwaki of Jiji Press*.

The Nikkei average fell 223.47 to 27,264.30 after moving between a high of 27,555.38 and a low of 27,261.61. Volume remained low at 620m shares compared with Friday's 745m. Losses led gains by 668 to 257, with 129 issues unchanged.

Last week's news that the US unemployment rate had fallen in April to a 14-year low of 5.4 per cent raised concern over a possible rekindling of inflation and higher interest rates.

The US Treasury Department's note and bond auctions starting today also prompted institutional investors and business corporations to shy away from the market.

Large-capital stocks fared poorly. Kobe Steel shed Y3 to Y352 on the day's most active trading of 58.69m shares, Mitsubishi Heavy Industries fell Y8 to Y713 and Nippon Kokan Y5 to Y383.

High-technology issues came under small-lot selling pressure. Toshiba, which saw 14.68m shares traded, declined Y14 to Y853. Fujitsu lost Y60 to Y1,560, Matsushita Electric Industrial Y30 to Y2,700, NEC Y60 to Y2,120 and Toyota Motor Y50 to Y2,330.

Pharmaceuticals also fell back on a wide front, with Takeda Chemical losing Y30 to Y2,970.

Against this bearish background, individuals and some other investors sought issues with specific incentives to earn short-term capital gains.

Japan Steel Works was the second and busiest issue with 23.45m shares changing hands; it surged Y32 to Y455 on investor expectations of plans to redevelop its plant site in Tokyo.

Mitsubishi Steel and Niigata Engineering, which have similar redevelopment plans, rose Y70 to Y1,190 and Y20 to Y490 respectively.

Jujiya gained Y100 to Y1,030 and Izutsuya Y75 to Y985 on rumours they were being sought by speculators.

Regional banks gained ground, with Yamagata Bank adding Y29 to Y829, Ashikaga Bank Y20 to Y1,140 and Tokyo Tomin Bank Y600 to Y11,300.

Bond prices moved in a narrow range. The yield on the benchmark 5.0 per cent government bond, maturing in December 1997, dipped to 4.550 per cent from 4.580 per cent on Saturday on reports that the Bank of Japan tolerated a drop of 0.0625 of a percentage point in the two-month bill discount rate.

Later, however, the benchmark issue came under selling pressure due to concern over US interest and exchange rate movements pending the results of the Treasury auctions, and the yield rose to 4.585 per cent before ending at 4.570 per cent.

Osaka Securities Exchange prices closed lower for the third straight session, with blue chips at the forefront.

The 250-issue OSE stock average dropped 122.71 from Saturday to 27,407.85, on an estimated volume of 81m shares, down 34m shares from Friday.

Kobe Electric Railway scored a maximum allowable single-day gain of Y105 to Y1,090, while Kobe Cast Iron Works finished Y76 higher at Y900. But Nippon Dream Kanko closed Y80 lower at Y1,620.

Hong Kong

THE RISE in the prime rate over the weekend failed to dampen a renewed bout of interest in Hong Kong property and industrial shares which left the market slightly higher.

Analysts said the 1 percentage point rise to 7.5 per cent had been expected and largely discounted, and that institutions had moved back into the market after the hefty sell-off last week when Jardine Strategic increased its stake in speculative favourite Hongkong Land.

The Hang Seng index gained 12.29 to 2,584.03 and turnover was HK$1.03bn compared with HK$1.4bn on Friday.

Hongkong Land eased 10 cents to HK$7.70, but Sun Hung Kai rose 30 cents to HK$11.20 and New World added 20 cents to HK$11. In the commercial and industrial sector, Swire A gained 10 cents to HK$17.30, while rumours of heavy buying by a big Japanese company pushed Cathay Pacific up 20 cents to HK$7.55 and Hutchison Whampoa up 15 cents to HK$8.60.

Australia

DOMESTIC programme trading and easier metal prices took share prices lower, with the All Ordinaries index losing 12.2 to 1,410.8.

Resource stock Western Mining lost 15 cents to A$4.80 while copper miner MIM Holdings eased 5 cents to A$1.61. Market leader BHP fell 12 cents to A$7.36.

Bell Group, in which Mr Robert Holmes à Court is selling his 40 per cent stake, added 2 cents to A$1.72, while Bell Resources, 43 per cent controlled by Bell Group, found 3 cents to A$1.75, with 2m shares traded.

Singapore

INSTITUTIONS stayed on the sidelines and equities closed lower on consolidation after last week's gains. The Straits Times Industrial index eased 4.16 to 971.90.

Hotel Marco Polo, which faces a takeover bid from Hong Kong shipping magnate Sir Y K Pao, saw heavy volume again. Sir Y K is estimated to hold about 46.5 per cent of the company, which closed unchanged at HK$1.17.

Steven Butler on prospects for a key sector

Speculative interest keeps oils buoyant

STRONG first quarter earnings reported by the US major oil companies recently are yet another reminder that weak crude prices are not always bad news for the world's oil industry.

The US marketing and refining companies, in particular, were able to take advantage of the surplus of petroleum products and crude oil in Europe, where the winter was exceptionally mild, to build up cheaper stocks and turn a nice profit. The weak dollar helped to buoy chemical profits.

Share performance has benefited from the firming of oil prices in advance of last week's meeting of the Organisation of Petroleum Exporting Countries in Vienna, and while the meeting ended in apparent failure, oil markets have held fairly steady in the aftermath, following an initial drop.

Yet it is far from clear that the good performance of the sector, particularly since the beginning of March, when oil prices began to firm from 16 month lows, can continue.

"Most of the gains of 1988 have already been achieved," says Mr Frank Knuttel of Pru Bache Securities in New York.

US performance has proved strongest, with the Standard & Poor's oil composite index up *14.8 per cent since the start of* the year compared with the market average of 4.2 per cent.

The UK has followed closely behind, with oils up 10.5 per cent compared to the FT All share index gain of 6.8 per cent, and this has led many to conclude that Shell and BP, which dominate the UK oils, are now a better buy than their US counterparts. This is only partially offset by UK withholding tax requirements.

A confluence of factors has *stood behind this strong performance*, not least the knowledge that oil companies with their financial strength are likely to be able to hold their dividends up well even if the economy weakens.

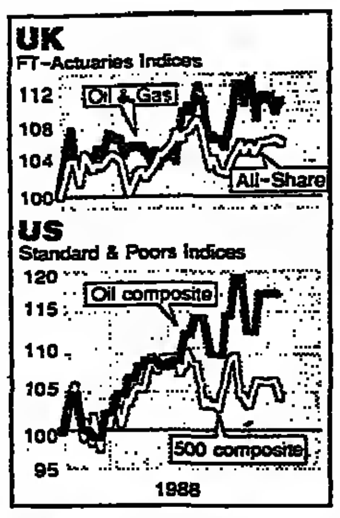
This would make the oils a good defensive sector, but if world economic growth stays on course, as seems more likely now, most analysts believe the shares would underperform the market.

Much will hinge on the movement of oil prices. Despite some relatively bullish forecasts based on an expected increase in demand in the second half of 1988, most analysts believe oil prices in the range of $20 per barrel are likely at best to be a temporary phenomenon.

There are two reasons for this. First, Saudi Arabia and other big Arab Gulf producers appear ready to prevent any sustained rise in oil prices because they want to assure the long-run competitiveness of their own oil reserves. Second, the temptation to take advantage of high prices to increase production has in the past been too great for many Opec members, whose over-production later leads to a collapse in prices.

The sector has its interesting players, nevertheless. In the UK, takeover speculation surrounding the remaining independent exploration and production oil companies, including Enterprise Oil, Lasmo, Ultramar, and Clyde Petroleum, has been vigorous enough to liven up the oil index in the face of dull performances by Shell and BP, and has left many wondering whether these companies are not now absurdly overpriced.

"Any historical approach you take to the exploration and production sector says you should have sold by December 15 (after the bids for Britoil and Tricentrol)," says Mr David Grey, oil analyst at James Capel. "But then you'd have missed the next 50 per cent price rise."



With sellers almost impossible to squeeze out of the woodwork, analysts are universally reluctant to issue sell recommendations even at inflated prices which would require strong oil prices in the next decade to justify. Most reckon that Elf Aquitaine, the French oil group, paid well over the top in its recent £308m ($573m) purchase of oil assets from RTZ, but if Elf believes the assets are worth that much, other potential predators could be willing to go the same distance.

Elf itself is seen by many analysts as one of the best buys *internationally* because of its extremely high yield at 8.4 per cent, combined with an excellent spread of downstream and upstream assets. Elf shares were hit badly in October when international investors withdrew from the market amid liquidity fears.

In the US, Texaco and Chevron, the weakest of the majors, will continue to provide interesting situations as both are seen as vulnerable to predators. And while it is not clear who the potential bidders might be, Shell, Esso, and Mobil have each accumulated a huge cash mountain. BP's cash has been somewhat depleted by recent acquisitions, but it is unlikely to sit still for long.

Paris greets President's return with brisk rise

By George Graham in Paris

IN 1981, the Paris bourse welcomed the new president François Mitterrand with two days of chaos in which so many shares were suspended that it was impossible to calculate an index. In 1988, second time around, the market rose briskly, the first time since General de Gaulle in 1965 that it has honoured a new president with an increase.

Dealers had been counting on a Mitterrand victory, but there were still some large investors betting that the market would fall in disappointment at the extent of the right's defeat. Their short-covering when the bourse opened sharply higher helped take the trading indicator up 2.4 per cent in the morning.

Buying later fell off, but the CAC General index ended the day up 0.8 per cent at 313.5. With the franc strong, gaining against the D-Mark to 3.3945, and happy memories of the socialist Mr Pierre Bérégovoy's spell as finance minister up to 1986, investors showed few signs of concern about the shape of Mr Mitterrand's government.

Not many brokers are in favour of *the wealth tax Mr Mitterrand* proposes to reintroduce, but fewer feel personally targeted by it since last October 19.

Carrefour gained FFr100 at the opening bell, and maintained most of its advance to close FFr75 up at FFr2365. Bouygues was up FFr30 to FFr895 and Chargeurs FFr31 to FFr967. Some brokers suggested Chargeurs had benefited from the friendship of its chairman, Mr Jérome Seydoux, with President Mitterrand, but Lyonnaise des Eaux, chaired by the pro-Chirac Mr Jérome Monod, rose FFr34 to FFr1,185.

Cie du Midi followed Friday's sharp fall with a further 4.4 per cent plunge to FFr1,590, with 103,000 shares changing hands.

EUROPE

Volume and price movements hit by investor malaise

TURNOVER continued to languish at low levels in most European bourses yesterday, and a general lack of market moving news held back share movements, *writes Our Markets Staff*.

FRANKFURT saw another day of listless trading in thin volumes as concern about the dollar and interest rates kept investors on the sidelines.

Sentiment was hit also by sharply lower bond markets, following the steep fall in the US Treasury bond market on Friday, and the FAZ index eased 4.98 to 435.68. Turnover was estimated at a low DM1.5bn worth of shares.

"The market is very much in the doldrums at the moment and domestic investors aren't really interested at this level," said one salesman.

The Social Democrats' election victory in Schleswig Holstein appeared to have little effect on the market.

Cars led equities down, with Daimler off DM18.30 at DM575.50, VW DM4.80 lower at DM335 and BMW DM10 weaker at DM495.

Bonds dropped in fairly thin trading, with the federal 6⅛ per cent 1998 unit losing DM1 to DM96.30, giving a record high yield for the year of 6.64 per cent.

MILAN closed lower in lacklustre trading as investors awaited news about a possible capital increase by leading insurance group Generali.

The MIB index ended down 12 at 1,032 before confirmation that Generali planned a L1,100bn rights issue, at the lower end of expectations. Generali, which closed down L1,000 at L84,500, was boosted after hours by the news, adding L600. The company also reported higher net profits and an increase to 14.5 per cent in its stake in Compagnie du Midi of France.

ZURICH was unsettled by losses in New York and Tokyo, and the steady dollar failed to draw investors. The Crédit Suisse index eased 3.4 to 457.2.

Mr Tom Bannatyne, analyst at Warburg Securities, said people were waiting to buy but getting no encouragement. "The market needs some positive sign from the banks on their investment policy and their recommendation on equities," he said. "Their enthusiasm for their own market seems to be limited, and that's depressing."

Jacobs Suchard, which raised its Rowntree stake to 29.86 per cent, was one of the few stocks to see heavy trading, easing SFr225 to SFr6,950. Nestlé bearer shed SFr50 to SFr8,175.

Swissair, which said its overall load factor rose to 65 per cent in March from 64 per cent a year earlier and revenues were up 6 per cent, saw its bearer shed SFr20 to SFr1,035.

BRUSSELS eased in thin trading, with news of the formation of a government failing to give the market any impetus. The cash market index fell 10.31 to 4,736.10.

After its astonishing 36 per cent rise in the first quarter and the absence of a major correction since, analysts feel that any good news on the corporate or political front is already reflected in prices. Besides, there is much local doomsaying about the new government's chances of success.

Price movements were small, with oil group Petrofina easing BFr25 to BFr11,175.

AMSTERDAM remained in the doldrums, with little news to excite trading, and the all-share trend index lost 0.9 to 83.8 in very low volume. Nedlloyd, recent target of takeover talk, shed a further Fl 4 to Fl 244.

London

LEADING exporters gave up early gains in London as sterling rose sharply. The FT-SE 100 index ended 8.2 lower at 1,794.9 in thin trading after Wall Street's lower opening.

SOUTH AFRICA

WITH BULLION trading in a narrow range, little interest was shown in gold stocks. Platinum and diamonds were also lower while industrials were neglected and shares drifted down in thin trading.

Gold stock Randfontein was off R5 at R200. In diamonds, De Beers, which attracted interest last week, lost ground by 75 cents to close at R33.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjonction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MAY 9 1988					FRIDAY MAY 6 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (88)	119.93	–1.0	94.60	103.62	4.21	121.19	96.52	104.71	122.50	91.16	136.09
Austria (16)	90.81	–0.5	71.63	79.24	2.64	91.29	72.71	79.65	98.18	84.35	90.34
Belgium (65)	126.87	–0.4	108.08	110.76	4.51	127.42	101.48	111.08	139.89	99.14	119.92
Canada (125)	120.28	–0.8	94.88	107.95	3.11	121.24	96.56	108.65	125.49	107.06	130.94
Denmark (39)	117.99	–0.4	93.08	103.95	2.78	118.45	94.34	104.47	123.36	111.42	117.52
Finland (25)	127.82	+0.0	100.83	107.49	1.95	127.81	101.80	107.64	128.72	106.78	–
France (121)	89.99	+0.8	70.99	80.54	3.98	89.26	71.09	79.98	90.19	72.77	121.17
West Germany (99)	74.45	-1.3	58.73	65.10	2.82	75.44	60.08	65.89	80.79	67.78	93.92
Hong Kong (46)	103.05	+0.6	81.29	103.33	4.41	102.40	81.56	102.71	105.83	84.90	112.41
Ireland (18)	123.17	+0.3	97.16	109.29	4.23	122.78	97.79	109.02	123.91	104.60	129.03
Italy (102)	75.00	–0.9	59.16	69.99	2.70	75.70	60.29	70.81	81.74	62.99	106.67
Japan (456)	173.33	–1.1	136.72	136.73	0.52	175.30	139.62	138.35	177.27	133.61	161.23
Malaysia (36)	131.28	–1.0	103.55	130.69	2.77	132.61	105.61	132.05	133.24	107.83	154.63
Mexico (14)	125.81	+1.5	99.24	314.58	1.13	123.96	98.73	309.97	176.90	90.07	188.23
Netherland (38)	107.71	+0.1	84.96	92.72	5.00	107.66	85.74	92.60	110.66	95.23	118.15
New Zealand (22)	77.96	–0.2	61.50	60.27	5.45	78.14	62.23	60.67	79.15	64.42	95.91
Norway (25)	123.24	+0.2	97.21	103.12	2.94	123.01	97.97	103.06	132.23	98.55	133.22
Singapore (26)	112.33	–0.4	88.61	103.84	2.41	112.73	89.78	104.13	114.93	97.99	129.18
South Africa (60)	122.47	–2.0	96.61	78.51	5.35	124.99	99.54	79.20	139.07	118.16	168.72
Spain (42)	150.18	–0.5	118.47	127.14	3.40	150.95	120.22	127.17	155.36	130.73	104.87
Sweden (38)	121.92	+0.3	96.17	106.13	2.66	121.60	96.85	105.94	124.75	96.92	121.18
Switzerland (56)	77.03	–0.6	60.76	66.88	2.55	77.49	61.72	67.33	86.75	76.22	100.08
United Kingdom (329)	140.25	+0.7	110.63	110.63	4.33	139.22	110.88	110.88	141.18	123.09	144.61
USA (581)	104.44	–0.4	82.38	104.44	3.72	104.88	83.53	104.88	110.51	99.19	119.51
Europe (1013)	108.72	+0.1	85.76	91.03	3.85	108.58	86.48	91.32	110.71	97.01	121.11
Pacific Basin (674)	168.46	–1.1	132.88	134.03	0.70	170.32	135.65	135.56	172.26	130.81	158.41
Euro-Pacific (1687)	144.57	–0.7	114.04	116.95	1.66	145.62	115.98	118.00	147.53	120.36	143.53
North America (706)	105.28	–0.4	83.05	104.66	3.68	105.76	84.23	105.13	111.28	99.78	120.11
Europe Ex. UK (684)	89.22	–0.4	70.38	78.69	3.40	89.61	71.37	79.02	92.81	80.27	106.53
Pacific Ex. Japan (218)	109.77	–0.4	86.59	99.31	4.23	110.23	87.79	99.76	111.90	87.51	124.03
World Ex. US (1886)	143.50	–0.7	113.20	116.35	1.74	144.56	115.14	117.38	146.49	120.26	143.38
World Ex. UK (2138)	127.29	–0.8	100.41	112.43	2.13	128.30	102.16	113.33	130.28	111.77	133.02
World Ex. So. Af. (2407)	128.47	–0.6	101.34	112.50	2.33	129.28	102.97	113.33	130.96	113.26	133.82
World Ex. Japan (2011)	106.88	–0.3	84.31	99.55	3.78	107.15	85.34	99.95	110.99	100.00	121.13
The World Index (2467)	128.43	–0.6	101.31	112.25	2.35	129.26	102.95	113.09	130.92	113.37	134.05

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local)